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Φ D 8523A

PUERTO RICO
Growing concern over political future
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World News

Bush urged to halve strategic warheads

The US should cut its strategic nuclear arsenal by 60 per cent and completely revise its missile targeting strategy, a report by a high-level Pentagon advisory panel says.
Page 16

Asylum accord falters
Germany's four leading parties have called talks to deal with the soaring numbers of asylum-seekers in the country, amid signs that their previous compromise is falling apart.
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Yugoslavia observers
The United Nations is sending 50 military observers to Yugoslavia immediately to monitor the ceasefire, Mr Boutros Ghali, secretary-general, said.
Page 2

Israel faces censure
The UN Security Council was expected to adopt a resolution strongly condemning Israel's decision to expel 12 Palestinian activists from the occupied territories. Page 16

El Salvador deaths
At least four people died in clashes between troops and left-wing rebels in El Salvador. The deaths came just days after the US-backed government and guerrillas announced a plan to end the 12-year-old civil war.

Five die in floods
Flash floods killed at least five people in Puerto Rico, and at least 10 people were missing after 14 inches of rain fell in 12 hours. Damage was estimated at $19m.

Journalists held
Liberian rebel leader Prince Johnson detained two journalists, including a local correspondent for the British Broadcasting Corporation (BBC), when they visited his camp.

Dresden mayor tried
Wolfgang Berghofer, the charismatic mayor of Dresden during East Germany's 1989 uprising, goes on trial today accused of rigging results in the last local elections of the former hardline communist state. He claims it was done on the orders of his superiors in east Berlin.

Kaunda resigns
Zambia's opposition United National Independence party said it had accepted the resignation of party leader Kenneth Kaunda, defeated as the country's president in a general election last October.

Siddiqui denial
Kalim Siddiqui, the leader of a new self-styled Islamic parliament in the UK, tried to defuse a row among British Moslems by denying he had told them to break laws they found unacceptable. Most other British Moslem leaders have distanced themselves from Siddiqui and the new parliament.

Kuwait defence plan
Kuwait's long delayed first budget since the Gulf war is expected to allow for a steep rise in defence spending to $9bn from $1.55bn in the last budget and an outlay of more than $10bn on war-related expenses. Page 4

Beijing eye on reform
China is anxiously watching reaction in Russia and Ukraine to the shock therapy of freeing prices from state control.
Page 4

Robbers blamed
Angolan rebel leader Jonas Savimbi denied his Unita fighters were responsible for the killings of four British tourists, saying robbers staged the ambush. Page 4

Two die in Punjab blasts
At least two people were killed and nine injured when two bombs planted by Sikh militants exploded in the city of Ludhiana in Punjab state.

Business Summary

Mercedes to take stake in Czech truckmaker

Mercedes-Benz, German car, truck and bus maker, is taking a 31 per cent stake in Avia, Czechoslovakia's third largest truck company, in the group's first significant move into eastern Europe.

Mercedes was chosen as partner over Renault of France after 18 months of negotiations. Page 17

EUROTUNNEL hopes to present its board with a settlement of its costs dispute with Transmanche Link, the consortium building the Channel tunnel, next month. The news sent Eurotunnel shares higher in Paris and London – where they closed up 22p at 420p.
Page 17

DAF, Dutch truckmaker in which British Aerospace has a 16 per cent stake, made a "very considerable" loss last year and will incur further losses in the first half of 1992, the company warned.
Page 18

RECEIVERSHIPS: More than 4,000 UK companies went into receivership last year, 50 per cent more than in 1990, according to accountants KPMG Peat Marwick. Page 7

THE EUROPEAN, newspaper founded by Robert Maxwell, has been sold to David and Frederick Barclay, 58-year-old twins who own ships and hotels. It is the first significant part of the collapsed Maxwell empire to be sold. Page 17

MALAYSIA has signed an investment protection and promotion agreement with Denmark which gives investments involving the two countries some protection against nationalisation and expropriation. Page 3

ORIX, Japan's largest leasing company, is to securitise the income from part of its business to diversify ways of raising cash. The first securities, totalling Y3bn ($24m), will be sold through a new Orix subsidiary. Page 20

TELEBRAS, Brazil's 20 per cent state-owned telecommunications company, is forecasting a 15 per cent rise in net profits to more than $700m. The company has moved from 11th place at the beginning of last year to become the largest publicly traded group in the country. Page 20

TELESAT CANADA: The Canadian government is seeking bids for its 53 per cent stake in the company, which has a monopoly on the country's satellite communications. Foreign ownership will be restricted to a 20 per cent equity holding. Page 19

R.J. REYNOLDS Tobacco, part of RJR Nabisco, US food and tobacco group, plans to manufacture cigarettes in Turkey from the end of next year.
Page 19

MERGERS and acquisitions by Japanese companies fell sharply last year, reflecting the squeeze on liquidity as well as deteriorating business conditions of companies in the US and Europe. Page 19

SACHSENMILCH, Dresden dairy company, today becomes the first east German company to have its shares quoted on the German stock market. It is seeking DM60m ($39m) through a flotation on the unlisted section of the Stuttgart bourse. Page 18

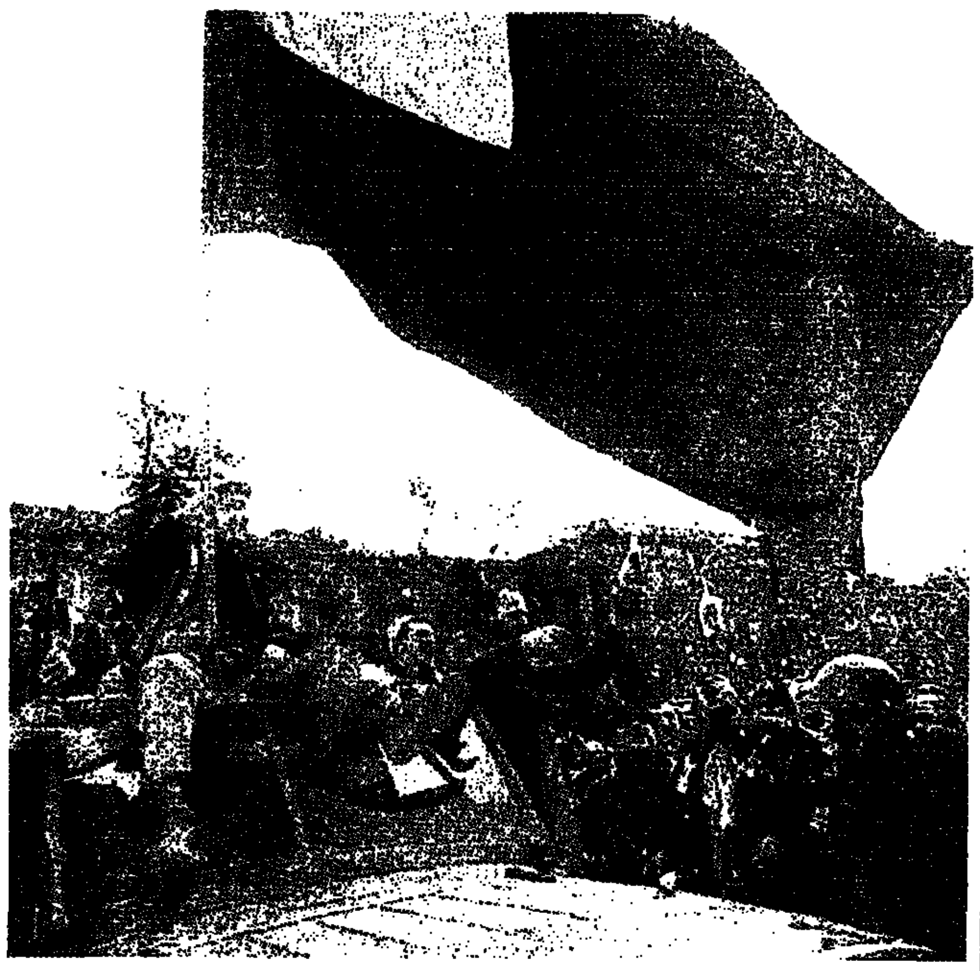
FUJITSU, Japanese electronics company, is in talks with ICL, UK-based computer manufacturer in which it has an 80 per cent stake, which could lead to Fujitsu selling ICL-designed and manufactured personal computers in Japan. Page 18

COMPUTER software piracy in western Europe cost US suppliers an estimated $4.46bn in 1990, according to figures collected by the Software Publishers Association and the Business Software Alliance.
Page 18

Opposition vows Gamsakhurdia will be arrested and stand trial

Georgia's president flees in face of troops

By **Neil Buckley** in Tbilisi



Jubilant opposition gunmen celebrate with champagne in front of the shattered parliament building from which Georgian president Zviad Gamsakhurdia fled yesterday

THE SIEGE of Georgia's parliament ended abruptly and with little violence yesterday when President Zviad Gamsakhurdia fled in the face of advancing opposition troops who then overran the building without resistance.

There were conflicting reports on the whereabouts of Mr Gamsakhurdia, who left the parliament building in central Tbilisi in the early hours of the morning after being under siege for more than two weeks. Officials in Azerbaijan said Mr Gamsakhurdia was heading for Armenia, but Armenian officials denied they had offered him asylum and said he was thought to be making for Gyandzha in Azerbaijan.

"Wherever he is we will find and arrest him and bring him back to stand trial in Georgia," vowed Mr Tengiz Kitovani, one of the leaders of the opposition military council which now controls the republic.

The jubilant opposition claimed a victory for its strategy of holding back from launching an all-out attack, instead putting the president under constant military and psychological pressure.

Mr Dzhava Iosseliani, the joint leader of the military council, said: "We were prepared for this a long time ago. We said earlier that we were sure Mr Gamsakhurdia would leave without bloodshed. Our psychological warfare has worked."

The immediate political future of the republic is uncertain. Mr Eduard Shevardnadze, the former Soviet foreign minister, said yesterday he was ready to return to his native Georgia to help build a democratic society. Calling for national reconciliation, he said: "I am personally ready to take part in this complex process."

According to Mr Iosseliani, the military council is likely to remain in control of Georgia until the situation stabilises. The opposition leader warned of possible "excesses" by remaining forces of Mr Gamsakhurdia and said that the network of regional prefects who had bolstered his dictatorship was still in place.

There was little sign of a popular backlash against the ousting of the president, but Mr Gamsakhurdia is still said to enjoy considerable support in the provinces.

In the longer term, the military council intends to hold new parliamentary elections, possibly in April, and said it was already organising a political forum of all parties to prepare for these elections. The post of president will cease to exist.

Mr Gamsakhurdia fled the parliament at around 2am local time (11pm GMT) with more than 200 supporters in a convoy of two armoured personnel carriers, three buses and other vehicles.

The convoy left through the unguarded streets to the south of the building and apparently met no resistance until it clashed with an opposition detachment at a nearby bridge over the River Kura.

Opposition leaders said about 10 government soldiers and five opposition soldiers had died in the shooting.

The catalyst for Mr Gamsakhurdia's decision to flee seems to have been the desertion at around 10pm of 60 highly trained security troops.

By midnight, Mr Gamsakhurdia is said to have told his supporters that the battle for the government building had been lost.

Shevardnadze's offer, Page 2
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Shevardnadze seeks to mend wounds

The ex-Soviet foreign minister tells Leyla Boulton why he is ready to return to Georgia

MR Eduard Shevardnadze, the former Soviet foreign minister, is ready to return to his native Georgia to help build a democratic society on the rubble left by President Zviad Gamsakhurdia.

"There is no other way out but national reconciliation when the economy is destroyed, finances are in disarray and Georgia faces catastrophe because its resources are exhausted," he said yesterday in an interview with the Financial Times. "I am personally ready to take part in this complex process."

Mr Shevardnadze, who had frequently warned of impending dictatorship in the former Soviet Union, dismissed suggestions that Georgia's new rulers were tainted for having used force to oust an elected president, whatever his authoritarian tendencies.

"It was not so much a violent takeover as a conflict between an authoritarian regime and democratic forces which were supported by armed formations," he said, losing no time in trying to boost the tattered image of his southern republic.

Mr Shevardnadze has been rootless since his republic declared independence from the union he served for most of his working life.

While he was able to survive as a national politician as long as the Soviet Union survived, the country's dissolution last month spelt the end of his long and distinguished career in Moscow.

He quit Georgia and his job as republican Communist party chief in 1986, when he became foreign minister – a post in which he helped to change the face of international relations.

One of the rebel leaders yesterday described Mr Shevardnadze, who will be 64 later this month, as an able figure who could help build democracy in Georgia.

But he said that he did not know how people would react to the return of a man who once embodied Communist dictatorship over Georgia; Mr Shevardnadze, for instance, once had Mr Gamsakhurdia jailed for dissent.

Georgians at least know that Mr Shevardnadze – with his acknowledged international authority – could bring them the one prize which eluded Mr Gamsakhurdia: recognition and respectability as an independent state.

Saying that Georgia had "a lot to do to obtain recognition and join all-European processes", Mr Shevardnadze also predicted that the republic would soon enter the Commonwealth of Independent States
Continued on Page 16

US health body warns against use of breast implants

By **Karen Zagor** in New York

THE US Food and Drug Administration yesterday urged doctors to stop using silicone breast implants until new information on their safety can be assessed.

Mr David Kessler, FDA commissioner, also asked manufacturers to stop distributing the products until the FDA's advisory panel on general and plastic surgery devices could meet to consider the new data. The meeting is due to within 45 days, when the panel is expected to make fresh recommendations.

The decision came as a surprise to the industry, which had expected the FDA to follow an advisory panel recommendation in November to leave the silicone implants on the market to meet "a public health need", although the panel found that the implants had not been proved safe.

The FDA's decision is the second blow in less than four weeks to Dow Corning Wright, a subsidiary of Dow Corning and the leading US implant maker. In mid-December, a federal court ordered Dow Corning to pay a woman $7.3m in compensatory and punitive damages for hiding evidence which linked ruptured silicone gel implants with auto-immune disorders. Dow Corning has said it will appeal against the decision.

Although implants account for less than 1 per cent of Dow Corning's $2bn annual sales, there is growing concern that the FDA's decision and the federal court ruling will encourage more law suits.

Other big implant makers include Bioplasty, Mentor and McGhan Medical. On Wall Street, shares in Mentor tumbled $2 to $12¼ before trading in the issue was halted at midday yesterday. Shares in Bioplasty were also halted.

Bioplasty said it was disappointed with the FDA's moratorium but would comply. The company said most of its revenues come from outside the US, but a permanent moratorium "would have a significant negative impact on the profitability of the company".

According to the FDA, about 20 per cent of the 1m women in the US with implants have them for breast reconstruction after mastectomy. The remaining 80 per cent are for cosmetic reasons. Saline-filled implants will not be affected by the moratorium.

N Korea to sign nuclear accord

By **John Ridding** in Seoul and **Our Foreign Staff**

NORTH KOREA yesterday told the International Atomic Energy Agency it would sign a nuclear safeguards agreement this month, clearing the way for a reduction in tension on the Korean peninsula.

Signature of the accord would involve opening nuclear facilities to inspection by IAEA experts. Earlier yesterday, demands for international inspections had been repeated in Seoul by US president George Bush, who said the US and South Korea would call off annual military exercises if North Korea took positive steps on the issue.

Mr Bush, on an Asia-Pacific tour which will end in Japan, where he arrives today, also emphasised the endurance of the US security commitment to South Korea and the region.

Mr Bush congratulated Mr Roh Tae Woo, his South Korean counterpart, on the progress in easing tensions with Pyongyang. He said that while the post-cold war era presented an opportunity for the US to restructure its defences, for example by the closure of US bases in the Philippines, the US would remain "a visible, credible security presence in the Asia Pacific".

A statement from the IAEA in Vienna said Mr Chon In-chan, North Korea's ambassador to Austria, "today informed the director-general of the IAEA that his government will sign the Safeguards Agreement ... pursuant to its obligation under the Non-Proliferation Treaty." The ambassador said the agreement would be signed this month.

South Korea and the US believe North Korea is developing nuclear weapons. This is denied by Pyongyang. However the belief that a nuclear bomb could be built at a plant 100km north of the capital within two years – far sooner than was previously thought possible – has made the issue a top priority for the west.

Trade plea to Seoul, Page 4
Tokyo gifts for Bush, Page 14

US telecoms carrier to challenge UK duopoly

By **Hugo Dixon** in London

SPRINT, the big US telecommunications carrier, has applied for a licence to compete with BT and Mercury Communications in the UK. It is the first significant challenge to the duopoly held by the two companies since the government last year abolished their exclusive rights to provide basic telecommunication services.

Sprint, the third-largest long-distance telecommunications carrier in the US, wants to provide domestic and international telecommunications services in the UK. It plans to lay a fibre optic network around the UK, largely alongside the canal system, at a cost of £150m-£200m. It is working with British Waterways, which runs the canal system.

The application to provide domestic services is expected to be approved by the Department of Trade and Industry.
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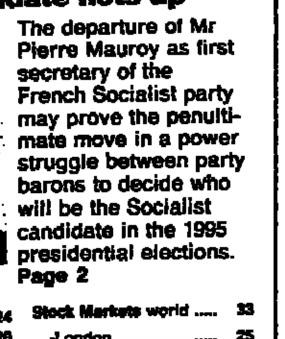
Battle to succeed Mitterrand as Socialist candidate hots up



The departure of Mr Pierre Mauroy as first secretary of the French Socialist party may prove the penultimate move in a power struggle between party barons to decide who will be the Socialist candidate in the 1995 presidential elections.
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MARKETS

STERLING
New York:
$1.8828 (1.849)
London:
$1.877 (1.8465)
DM2.85 (2.855)
FFr9.7275 (9.745)
SFr2.53 (2.54)
Y232.75 (230.5)
£ index 91.6 (91.4)

GOLD
New York Comex Feb
$350.3 (351.5)
London:
$348.55 (352.15)

N SEA OIL (Argus)
Brent 15-day
$18.20 (18.275)

Chief price changes yesterday: Page 17

DOLLAR
New York:
DM1.516 (1.543)
FFr5.1745 (5.2675)
SFr1.3435 (1.3748)
Y123.25 (124.65)
London:
DM1.519 (1.5465)
FFr5.1825 (5.2775)
SFr1.3485 (1.375)
Y124.05 (124.85)
$ index 60.6 (61.1)
Tokyo close: Y124.4

US CLOSING RATES
Fed Funds: $3\frac{1}{2}$% ($3\frac{3}{4}$)
3-mo Treasury Bills:
3.889% (3.93)
Long Bond:
$106\frac{31}{32}$ ($106\frac{3}{16}$)
yield: 7.435% (7.47%)

STOCK INDICES
FT-SE 100:
2,493.2 (-10.9)
FT-A All-Share:
1,190.12 (-0.3%)
FT-SE Eurotrack 100:
1,092.05 (+5.04)
FT-A World Index:
153.70 (+1.5)
New York close:
DJ Ind. Av.
3,200.13 (-1.35)
S&P Comp
417.96 (-1.38)
Tokyo: Nikkei
23,801.18 (+817.41)

LONDON MONEY
3-month Interbank:
$10\frac{13}{16}$% ($10\frac{3}{4}$%)
Liffe long gilt future:
Mar $97\frac{1}{16}$ (Mar $96\frac{13}{32}$)

EUROPEAN NEWS

Tbilisi starts to count cost of a little local disturbance

By Neil Buckley in Tbilisi

"PLEASE pardon the disturbance," said a slogan pasted in white on an armoured personnel carrier on Tbilisi's Rustaveli Avenue yesterday.

To call the fighting in the streets of the city in the last two weeks a "disturbance" is a distinctly un-Georgian understatement. Civilians had been unable to walk along the city's main street for two weeks as it was transformed into a battlefield. They had not even been able to walk through surrounding streets without frequently dashing for cover from stray bullets while machine gun fire and explosions rent the air.

Yesterday they picked their way somewhat sombrely through the ruins of what was previously an elegant tree-lined avenue, with broken glass and pieces of masonry crunching underfoot.

"Our heart has been destroyed," said Gogi, a student of international law. "The heart of Tbilisi is our heart and it is crying out. This vandal, this dictator, caused all this but it was worth it to gain our freedom. He was a monster, I guarantee you."

Earlier, an opposition soldier perched on top of an armoured personnel carrier had sprayed his comrades with champagne, the pop of the cork followed by a deafening victory salute of machine gun fire in the air. Stubble covered cheeks brushed together as men in flak jackets kissed one another.

However, the civilian population was less exuberant, displaying only a sense of relief that the shooting had stopped.

There was little celebration of the opposition victory but neither were Gamsakhurdia supporters to be found shedding tears about his departure. Perhaps they were too scared.

Tbilisi had paid a high price for the ousting of the man the opposition liked to call Satan.

The colonnaded frontage of the government building was pockmarked with bullet holes, some of its columns almost shot through by the howitzer which was laying abandoned on the other side of the street.

Thick smoke billowed from the northern wing of the building, as flames licked round the window.

Opposition soldiers and early civilian arrivals seized almost anything they could move, ripping the radios out of the crumpled cars on the street, carrying television sets out of the basement and rifling through desk drawers in the offices.

We followed them into the abandoned basement where only the previous day Mr Gamsakhurdia had met the media, while soldiers sat and smoked and played chess.

Now much of it was in pitch darkness. There seemed to be more tables around than before – trip wires, it was suggested. We quickly left.

Other buildings around the square included blackened wrecks – School Number 1 founded in 1802 and the most famous in Georgia, founded in 1802, where Mr Gamsakhurdia and Mr Tengiz Kitovani, a rebel leader, both studied.

Where there had been a line of tents which housed the fervent supporters of a Mr Gamsakhurdia outside the parliament for more than three months there were piles of ashes.

On a table a chess set had somehow survived the fires. One old woman tutted angrily as she surveyed the scene.

"Nothing good will come of this," she muttered, before displaying the ambivalent attitude towards dictatorship typical of her generation. "Stalin would never have allowed all this."

Rush to see Stasi files overwhelms government

THE government agency holding the files of the former East German Stasi secret police ran out of application forms yesterday because so many people wanted to find out who spied on them, Reuter reports from Berlin.

"We did not reckon with a rush like this," an agency spokesman said. The initial batch of 100,000 application forms had gone, and another 300,000 would arrive only next week.

East Germans were allowed to see their files from January 2 under a new law giving them access to the 200km of documents amassed by the Stasi's 85,000 full-time agents and hundreds of thousands of informers.

Plea for E German border guards

Four former East German border guards should receive suspended jail sentences for killing a Berlin Wall defector in 1989, a prosecutor said yesterday, Reuter reports from Berlin.

Summing up the first trial for deaths at the inner German border, Mr Herwig Grossmann, chief prosecutor, said the four guards had known they could have killed the fleeing Mr Chris Gueffroy when they fired a volley of bullets.

But he told the court: "Whatever they've done wrong, they still do not belong in jail."

Clash over threat to French gold mine

Miners clashed with riot police in southern France yesterday over the possible closure of western Europe's last gold mine, Reuter reports from Toulouse.

Officials in Carcassonne said at least 100 miners, angered by plans to close the troubled Salsigne gold mine, dumped stones in front of the regional government headquarters.

Fighting broke out when a miner charged his truck into police guarding the building, slightly injuring two officers.

Fugitive ex-mayor of Nice sentenced

Mr Jacques Medecin, former mayor of the Riviera resort of Nice, was sentenced in his absence yesterday to a year's imprisonment and fined a total of FFr2.5m ($455,000) for misuse of public funds, Reuter reports from Grenoble.

Mr Medecin, 62, who fled to Uruguay in September 1990, was found guilty of using city funds to pay for a magazine backing his political campaigns.

Unemployment rises to 11.1% in Belgium

Belgian unemployment rose 0.2 percentage points in December to 11.1 per cent from 10.9 per cent in November, the National Employment Office, AP reports from Brussels.

The number of unemployed rose to 459,256 in December from 452,233 a month earlier. The jobless rate was 15.5 per cent for women and 8 per cent for men in December.

UN observers to monitor Yugoslav truce

By Judy Dempsey in Belgrade and Agencies

THE United Nations is sending 50 military observers to Yugoslavia immediately to monitor the ceasefire, Mr Boutros Ghali, secretary-general, said yesterday.

In a report to the Security Council, Mr Ghali said he would not recommend deploying a larger peace-keeping force in Croatia until he believed Yugoslav leaders had accepted the terms of a broader peace plan.

The terms include withdrawal of the federal army from Croatia, disarming of Croat and Serb paramilitary units, and the creation of three demilitarised areas into which peace-keeping forces would be sent.

The ceasefire forged last Friday by the UN between the army and the Serbian and Croatian governments appeared to be holding yesterday.

However, Serbs in Krajina, the self-proclaimed republic which forms an enclave in Croatia, are continuing to reject terms for sending a UN peace-keeping mission.

President Franjo Tudjman of Croatia yesterday vowed his republic would regain control of all its territory held by the federal army and Serb reservists. "We will not cede one inch of territory," Mr Tudjman told reporters in Zagreb, the Croatian capital.

Mr Cyrus Vance, the UN's special envoy to Yugoslavia who is now in New York, recommended that Mr Ghali seek Security Council agreement to send observers as soon as possible to assess the possibility of dispatching a 10,000-member force.

"This would have an enormous psychological impact," a western diplomat in Belgrade said yesterday.

"It might finally stop the fighting. But then the real work – defining post-Yugoslavia's borders – will begin."

France said yesterday it was was ready to contribute up to 4,000 troops to an international peace-keeping force in Yugoslavia.

Mr Pierre Joxe, defence minister, said: "Whether it is within the framework of the UN or within that of a European force, we are ready to send between 3,000 and 4,000 men.

That would be about a quarter of the total force that has been mentioned."

Croat officials are concerned that the international community is making territorial concessions to Serbia in return for peace, and at Croatia's expense.

Mr Zdravko Tomac, Croatia's deputy prime minister, warned: "We are prepared to continue the war if anybody tries to take an inch of Croatian soil from us." A third of Croatia is occupied by the army and Serb forces.

Muscovites look at a live turkey at a market yesterday, the Russian Orthodox Church's Christmas eve. Most Russians, however, were gloomy as President Yeltsin's price liberalisation put most festive foods beyond their reach

Swiss bank taps those green feelings

By Ian Rodger in Zurich

THE SWISS, it seems, like to tax themselves to pay for projects to improve the environment. They willingly pay extra for batteries to cover the high cost of recycling them, and in some cantons they pay higher taxes if their cars do not have catalytic converters.

Now the Zürcher Kantonal Bank, one of the country's largest mortgage lenders, is trying to capitalise on this unusual enthusiasm, launching what it calls an environment savings account.

The idea is that the customer will take a 1.5 per cent cut in the normal interest rate he would receive, and the bank will reduce the interest it charges on loans for environmental projects.

Mr Stephan Barth, chief clerk in the bank's liability management department, said the idea came mainly from customers. "They want us to do something," he said.

Mr Barth pointed out that it was not entirely an innovation. In November 1990, Alternative Bank Schweiz was established at Olten committed to lend only to companies making environmentally friendly products. It offers lower interest rates for both borrowers and lenders, and has managed to attract more than 5,000 customers from all over the country and build up total assets of SFr55m ($39.5m).

Zürcher Kantonal Bank has established what it considers to be a modest target for the environment savings accounts, hoping to attract some SFr10m in deposits this year.

Mr Barth said he expected that the bulk of the money would come from individuals who would put just a portion of their savings into one. "We wanted to set up an investment trust, but when we thought about it, we realised that it would be difficult deciding in what shares to invest. So we dropped the idea."

The bank guarantees to use the margin created only for projects to improve the environment. It cites as examples renovating buildings to make them more energy-efficient, helping industry install equipment to reduce factory emissions, teaching farmers to reduce the use of *chemicals* and promoting the development of electric vehicles.

French Socialists dig in for presidential fight

Party barons are manoeuvring for position in 1995 election, writes **Ian Davidson**

THE departure of Mr Pierre Mauroy as first secretary of the French Socialist party is likely to prove the penultimate move in a power struggle between party barons to decide who will be the Socialist candidate in the 1995 presidential elections.

Mr Mauroy will tell the executive bureau of the party this morning that he is resigning after three-and-a-half years in the job. Why he is resigning is unclear.

When news of Mr Mauroy's decision broke last Saturday it was widely assumed he would press the candidacy of Mr Michel Delebarre, the 45-year-old urban development minister and mayor of Dunkirk, who was for many years one of Mr Mauroy's closest associates in his town hall fiefdom in Lille.

The job was not Mr Mauroy's to give, of course. The choice will be made, probably before the end of this week, by the 131-strong governing committee of the party.

Since membership reflects the numerical strength of the rival factions in the party, the vote should give a strong indication of the internal bargains being made by the barons.

By yesterday evening it seemed they had indeed made their bargains when it became clear Mr Mauroy would not be endorsing Mr Delebarre, but rather Mr Laurent Fabius, the 45-year-old speaker of the National Assembly and former prime minister. Later Mr Delebarre formally announced he would not be a candidate.

Delebarre (left) and Fabius: focus of power struggle

The reason for the shift from Mr Delebarre is that Mr Michel Rocard, former prime minister and long a fancied contender in a future presidential race, had undertaken to back Mr Fabius.

On the face of it a Rocard-Fabius alliance looks an unlikely pact of two ambitious rivals between whom there is no love lost. The explanation is not that Mr Rocard has discovered a sudden affinity for Mr Fabius, but that he was determined to keep Mr Delebarre out.

He suspects Mr Delebarre of being a covert supporter of a rival whom he fears far more than Mr Fabius; that is Mr Jacques Delors, president of the European Commission, who has recently soared higher than Mr Rocard in the opinion polls and who is widely discussed as a future star of the French political scene.

Not only does Mr Delors enjoy enormous prestige, he is untouched by the stain of corruption and general discredit which affects most of the French political establishment. The prime reason for this is that he has been away from French politics since 1985. Although he is a member of the Socialist party governing committee, he is not the leader of a faction and he does not command campaigning power or bargaining leverage.

In recent months Mr Delors has been assiduous in maintaining a prominent political profile in France, as a way of maximising his appeal in the minds of the party's king-makers.

On Sunday, for example, he was the star guest in the prestige personality television show *L'Heure de Vérité*, and he took advantage of the occasion to make statesmanlike pronouncements on French policy issues – from the future of the nuclear bomb to economic reform.

The significance of his statements should not be misinterpreted, however.

The fact that Mr Delors says that French nuclear weapons should eventually be placed at the service of a common European foreign policy should be set alongside his other recommendation, that for the time being France should maintain the independence of its nuclear force.

Mr Delors is not announcing a change in French policy, he is just advertising his availability.

Being available is one thing; getting adopted is another. One option for him would be to return fully to French politics as a spring-board for a presidential campaign in 1995.

This was much discussed last autumn, when it was suggested that President François Mitterrand might summon him back to replace Mrs Edith Cresson, the prime minister whose unpopularity has grown by the month.

The disadvantage of this option is that Mr Delors would risk contamination without any real prospect of being able to avert heavy defeat for the party in the 1993 general election.

Since last month's European Community summit at Maastricht, however, Mr Delors has seemed less tempted by a premature return to France, not least because his tenure in Brussels could conceivably be extended until the end of 1994.

But if Mr Delors stays away from France, he can give his candidacy real credibility only on two conditions: he must appear constantly before the public, and he must have a friend at the heart of the Socialist party.

Since Mr Delebarre is a member of the traditionalist faction to which Mr Delors also belongs, but is not himself a plausible presidential candidate, perhaps he could have been that friend.

If Mr Rocard had wanted to keep out Mr Delebarre he could have done so without difficulty. The traditionalist faction led by Mr Lionel Jospin, education minister, in association with Mr Mauroy, has almost 30 per cent of the votes in the party, but so does the Fabius faction. Mr Rocard's group is slightly smaller, with nearly 25 per cent.

But he and Mr Fabius between them command a majority of the votes.

Pledge on Polish sell-offs

By Christopher Bobinski in Warsaw

POLAND'S new government will press ahead with privatising state-sector companies and will seek finally to untangle ownership rights, Mr Tomasz Gruszecki, the incoming senior privatisation official, has pledged.

"We want to privatise fast, but first we must clean up our present jungle and finally establish who owns what," he said yesterday. State-sector companies needed to be told if they were to be privatised or not and a "privatisation map" was to be drawn up.

Mr Gruszecki reiterated his support for "mass privatisation" plans, or a transfer of about 200 state-sector companies to foreign-managed investment funds, with distribution of shares in the funds to the populace.

He said three top officials from his ministry had resigned with the change of government, but stressed that talks with western investors which had been started by the outgoing government would continue.

The new government also plans to merge the Privatisation Ministry with those of Industry and Central Planning to form a single Economics Ministry. This would be headed by Mr Jerzy Eysymontt, now in charge of economic policy.

Prague's élite have a taste of Hell

By Ariane Genillard in Prague

LATE in the evening, when most of Prague is asleep, black Mercedes and BMWs make their way to the 800-year-old Strahov monastery on a hill above the baroque capital.

A hand-made sign swings from a tree at the main gate. It reads *Peklo* or "Hell".

The monastery, confiscated along with all church property by the communist authorities in the 1950s, was recently returned to the Roman Catholic church. The abbot of the monastery, Father Opat, has found ingenious ways to raise money for much-needed restoration.

Five metres underground, in cellars where monks did penance in earlier centuries, the local nouveau riche mingle on a disco dance floor with ambassadors and foreign visitors. At dawn all is quiet again, and the sign is taken down.

"I think he just believed me when I said the club would not hamper the monastery's life," says Mr Doriano Maltaliati, the club's manager, speaking of his arrangement with Father Opat.

Mr Maltaliati, an Italian who owns six restaurants in Milan, had to do some hard bargaining with the priest to secure the three-year rental contract. Fr Opat was considering offers from about 10 other western investors.

"This is going to be a private élitist club, for members only and without any shabby business going on," the Italian businessman explains.

Not a note can be heard outside the cellars; parties take place between 12th century walls, moist with four natural underground water sources.

"In July we were wearing winter coats to come down here. Everything was damp and not a single light could be lit. It was a complete ruin. Forty-three permits from various ministries were needed to restore it."

Mr Maltaliati points to the elegant black steel lamps hanging on the walls. "I designed everything. Czech entrepreneurs made it all."

Fr Opat, meanwhile, is making a small fortune renting the floor space at a price which rivals Paris or Milan. Hell is raising profits.

The priest is also planning to rent some of the monastery grounds to a foreign company which wants to build a luxury hotel.

Mr Maltaliati runs a restaurant within the club, but getting the right food has not been easy. "It's really hell," he admits, laughing. Every day I have to send one person to go around the city to find just lettuce."

He says most goods have to be imported from Italy in small quantities, to get through the borders.

"Officially, samples of imported food products should be left at the Agriculture Ministry for approval but it would take months."

In a dark enclave next to the dance floor, the young waiter wearing a black tie says he earns twice the average local salary, and then asks: "You mean officially or unofficially?"

Mr Maltaliati's ambitions do not stop with Hell. He is buying a restaurant at the foot of the medieval Charles bridge in the heart of Prague.

It will specialise in traditional Czech cuisine, a rarity in the city judging from uniform menus offering the same five or so dishes – red meat, duck, dumplings, cabbage and carp.

Plans also include a café serving espresso coffee and croissants, and a showroom next to the Old Theatre which will offer luxurious bathroom equipment.

"I was making more money in Milan but Prague has a special air about it," says Mr Maltaliati.

"You can just do crazy things here you could never afford in other western towns."

Portugal's pioneering approach to product research pays off

An unusual alliance between academics and industry has won praise from the Community, writes **Patrick Blum**

WITH limited government resources to fund research programmes and few companies able to undertake their own research, Portuguese academics and industry have formed an unusual alliance by creating private institutions to help companies develop products and improve their production and management techniques.

Among them, the Instituto de Engenharia de Sistemas e Computadores (Inesc), which specialises in information technology, telecommunications and computers, has won praise from the European Community for its pioneering approach. Its success has encouraged others such as the Oporto-based Instituto de Engenharia Mecanica e Gestao Industrial (Inegi) which concerns itself with engineering and management. Today there are 17 such institutions in Portugal covering a wide range of sectors from biotechnology to physics.

Inesc was founded in 1980 as a private non-profitmaking organisation by academics and state-owned telecommunications companies which wanted to pool research resources. Today it has a budget of Es5bn ($36.4m) and has added training and sponsorship of new high-technology companies to its research and development work.

Finance comes from Inesc's shareholders, which include companies and universities, from participation in EC programmes such as Esprit and Race, and from research contracts. It is involved in about 50 large research projects.

"The government didn't have the money to meet our needs, so we adopted a [North] American model. We offered to train engineers and technicians for the big companies so that they don't have to send people abroad, and in return they help to finance our work and our equipment," says Prof Jose Tribolet, a founding member of Inesc.

Inesc has trained more than 5,000 young technicians – school students with no work experience and company employees requiring new skills.

It employs directly 150 full-time staff, with another 250 part-time employees including a large number of professors seconded from the university. About 200 post-graduate students do research at the institute and some 300 undergraduates undertake their final year project there.

The relationship works both ways as Inesc can provide research conditions and equipment which the universities cannot afford. "We didn't want to take people away from the university, but to improve and enrich it," Prof Tribolet says.

The relationship has been crucial in bringing universities closer to the needs of industry. Prof Tribolet says education in Portugal for too long has been seen as a source of personal status rather than as a tool to promote wealth creation. "Our objective is not to create a heaven for researchers, but to make Portugal rich," he says.

That philosophy is extended into Inesc's promotion of new high-tech ventures through Aitec, an investment company set up in 1987 by Inesc and Investimentos e Participacoes do Estado (INE) – a state-owned holding company – each with a 50 per cent share.

Aitec acts as an incubator for new technology-based companies, providing some of the initial risk capital, expertise and assistance with research. The promoters of the company usually provide about 15 per cent of the start-up capital, but once the company is established Aipec pulls out.

"We lead the market when it comes to risk capital. The so-called risk capital and investment companies do everything except invest in risk, but they come to us to back companies we're involved in."

Inegi began more modestly and operates mainly in the industrial north. Established in 1986, it is linked to the Mechanical Engineering and Management department of the University of Oporto from which most of its staff and researchers come. It is involved in more than 100 projects including pilot studies to develop safety devices for car seats, finding an alternative plaster for broken limbs or a new technology for producing cast iron.

"In the early days it was difficult to convince people in industry we could be useful to them, so at the beginning we worked for nothing. Demand grew and we found it difficult to cope, so we created Inegi. Companies come to us because they need to develop a new product and they don't have the qualified people to do it," Prof Silva Gomes, Inegi president says.

He says Inegi, with an annual turnover of close to Es200m and a budget about 10 times the size of that of the engineering department (excluding salaries), has more resources for research and can respond quicker than the university to requests from industry.

All money earned from research is ploughed back into the institute and to help pay for some of the university's own staff and equipment.

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WORLD TRADE NEWS

US importers in plea to escape China 'hit-list'

By Nancy Dunne in Washington

US companies and trade industry groups handling Chinese imports yesterday urged Washington to exempt them from the punitive duties it proposes on any such items.

"Penalising Tsingtao beer would be fatal to Monarch," Mr Glen Steinman, president of Monarch Import Company, founded in 1978 to import the beer, said in a grim Congressional hearing.

The company has invested $25m (£13.7m) in the product, which would be lost if Tsingtao were chosen to be a casualty of the US-Chinese eight-month dispute over intellectual property rights.

In Beijing, vice-foreign trade minister Wu Yi said talks on protecting US copyrights, trademarks and patents could succeed if the US showed more flexibility.

Wu Yi is China's chief negotiator at the talks. In seeming reaction to US pressure, China has begun publishing some foreign trade rules. Wu Yi and assistant US trade representative Joseph Massey are shortly to meet in Washington, in one last attempt to reach agreement before January 16, the "firm deadline" set by Mrs Carla Hills, US trade representative.

Without agreement, "the US Customs Service will implement any decision to collect increased tariffs very shortly after that date," Mrs Hills said. The US complains about China's copyright law, mainly its poor protection for computer programmes and sound recordings, and failure to safeguard copyright for US works first published elsewhere.

The row yesterday focused on the impact of retaliation on US companies and the US economy. A "hit-list" of imports worth $1.5bn has been selected, to be at least halved if final sanctions are imposed. Trade officials have said they will try to focus retaliation on China's state-run factories.

Mr Steinman stressed that Qingdao Brewery, producer of Tsingtao beer, is owned by the city of Qingdao, which has been seeking improved intellectual property rights protection. Other targets may include leather goods, textiles, watches, apparel, electronics and bauxite.

Mr J Sy Hoying, president of the North American Processing Company, said his small business would be crushed if aluminium tariffs were imposed. The company, which began selling Chinese bauxite products in 1990, employs 25 workers in West Virginia in an area "devastated" by unemployment.

EC, US set for more Gatt talks today

MORE talks are expected today between the EC and US over the troubled Gatt trade negotiations, a European Commission spokesman said yesterday, Reuter reports from Brussels.

Mr Frans Andriessen, EC external relations commissioner, is likely to raise problems on Gatt when he meets Mr James Baker, US secretary of state, in Washington, he said.

Mr Andriessen is expected to hold talks with Mrs Carla Hills, US trade representative, during his trip, which is mainly to discuss aid to the former Soviet Union.

Separately, Mr Ray MacSharry, EC farm commissioner, was expected to phone Mr Ed Madigan, US agriculture secretary, today, the spokesman added.

He gave no details of subjects likely to be raised at the discussions. These follow failure of EC-US talks last month to reach a deal unblocking the five-year-old Uruguay Round, deadlocked mainly by disagreement between the world's two biggest farm exporters on how far and fast to cut farm support.

The EC has also rejected a draft plan put forward by Mr Arthur Dunkel, Gatt director-general, on December 20. EC trade and farm ministers said the plan posed many problems, particularly in agriculture.

These ministers are due to meet on January 11 to finalise the EC position, two days before the deadline for all responses to Mr Dunkel's proposals.

In another newspaper yesterday, Mr Andriessen said it was difficult to say what the prospects now were for a settlement. "If there is no deal, both sides will be responsible," he was quoted as saying.

Mr MacSharry said last month that bilateral talks were over and that the process of seeking a farm subsidy compromise would have to continue through Gatt channels.

Mr Louis Mermaz, French agriculture minister, said on Sunday he was confident EC members would continue to refuse further compromise.

Aero-engine makers rev up for new era

Paul Betts on the pressures which may force three traditional rivals to collaborate

A BIG sign greets the visitor in the modern Cincinnati office block where General Electric is developing its $1.5bn (£820m) GE90 large commercial jet engine. "We are truly launched with British Airways. Congratulations GE90 team," it says of the controversial deal the US company won last summer against Rolls-Royce to supply its new engines for BA's fleet of Boeing 777 airliners.

The engine order, coupled with BA's simultaneous decision to sell its Cardiff engine overhaul plant for £272m to the American company, was seen by many as GE's revenge on Rolls-Royce for withdrawing seven years ago from a commercial aero-engine partnership with GE.

However, Mr Brian Rowe, the head of GE's aircraft engine operations, was not exultant. If anything, he felt depressed. "You've come on a bad day. We are laying off 1,500 of our people," he said.

Even by its own cut-throat standards, the aero-engine industry has been going through a particularly rough patch during the past few months. The decline of military sales in the post-cold-war defence market and the lingering recession in civil aviation have had devastating effects on all engine manufacturers.

GE, Pratt & Whitney and Rolls-Royce have all been forced to undertake sweeping restructuring programmes. To win new engine orders in the current depressed market, the three rival companies have had to make hefty concessions and offer enlightened terms to attract customers.

"We must stop killing ourselves with our crazy pricing structure," Mr Rowe said. "We are not only having to give away new engines but we are now having to make deals with airlines on spare parts. That's how tough it is." Commercial engine manufacturers have traditionally relied on spare parts to produce a significant portion of their revenues and profits.

During the past few months, even small orders have provoked big battles. Some have ended in court. When Malev, the Hungarian airline, cancelled a Pratt & Whitney engine order for GE engines to power two Boeing aircraft, Pratt took legal action. But BA's decision to buy GE, rather than Rolls-Royce engines, and select Boeing rather than European Airbus airliners provoked the biggest storm of all.

Although an engine alone has never sold an airliner, an engine deal can tip the scales in an aircraft competition. Engine manufacturers work closely with airframe makers to develop power plants for new aircraft. But it is difficult for them to remain neutral when they are offering engines on rival airframes.

The combined pressures of the market and Airbus's frustrations over its repeated failure to win an order from BA prompted Mr Jean Pierson, the Airbus chairman, to attack the BA deal with Boeing and GE. Alleging BA had favoured the American companies over its European competitors, Mr Pierson asked the European Commission to investigate possible breaches in EC competition rules. But after discussions with the Commission, Airbus last month decided not to file a formal complaint. BA, Boeing and GE all rejected allegations of foul play.

Mr Rowe said recent engine orders, including the BA fracas, showed there were no captive markets for manufacturers. "After the BA order we thought we would get the GE90 on the new Boeing 777s of All Nippon Airways, one of our good customers. But we are still trying to understand why they chose Pratt instead," he said. Rolls-Royce also struck back against GE last month when it clinched a $500m order from Emirates for Trent engines.

Powering the new generation of wide-body aircraft has now become the focus of a three-cornered battle between GE, Pratt & Whitney and Rolls-Royce.

To reduce the financial risks of developing new heavy-thrust engines, all three engine makers have sought to attract other companies as risk-sharing partners or subcontractors. But the pressures facing the three leading players are now expected to force even broader collaboration. Some industry experts have suggested that three big engine makers were too many for the market to sustain.

Mr Rowe disagreed. "There's got to be competition but I don't see why anybody should die. It's stupid to believe the British are going to give up on Rolls-Royce. There are various ways of working together and we will have to work out some solution to stop shooting ourselves," he said.

At the end of the day, the industry could not continue pricing itself out of business. It would have to find a new "modus vivendi" if it was to remain viable, Mr Rowe argued. There was no need for any of the big companies to disappear, but there was also no need for more than two engines in any given thrust size to compete on any aircraft, instead of three as is the case on many airliners today.

Mr Rowe felt co-operation between companies would have to increase, although this was likely to lead to changes in the existing pattern of alliances in the industry. This could eventually lead to renewed co-operation between GE and Rolls-Royce. "The door remains open for Rolls," Mr Rowe said.

Rolls-Royce will offer its Tay 670 engine to power the new McDonnell Douglas MD-95 twin engine airliner. This follows an agreement between the UK engine maker and the US aerospace group, writes Paul Betts.

The new Tay 18,000lb thrust engine is expected to be certified in 1994 while the new 105 seater MD-95 is due to enter service in early 1996. McDonnell Douglas announced last year that the MD-95 would be assembled in China in conjunction with MD-90 co-production for the Chinese Trunkliner aircraft. China is currently in negotiations with the US aircraft manufacturer on the Trunkliner programme.

Rolls-Royce also said yesterday it had reached agreement with Textron Lycoming, the US engine company, to take part in the Tay 670 programme as a sub-contractor. The recently established BMW/Rolls-Royce joint venture as well as Volvo of Sweden are also partners in the Tay 670 programme.

Mr Brian Rowe and the GE90: "There's got to be competition but I don't see why anybody should die"

Danish-Malaysian investment pact

MALAYSIA and Denmark have signed an investment protection and promotion agreement, Reuter reports from Kuala Lumpur.

The pact would give investments involving the two countries some protection against nationalisation and expropriation, with adequate compensation should either occur, Ms Rafidah Aziz, Malaysia's international trade and industry minister, said.

"The Malaysian government recognises the importance of providing such protection in its efforts to promote foreign direct investment," the minister added.

Malaysia had approved 16 Danish manufacturing projects worth $83.6m (£45.9m) between 1987 and November 1991, compared with 14 totalling $6.3m between 1980 and 1986.

Danish investment in Malaysian manufacturing had stayed relatively small, but interest had "shown a favourable trend".

Danish-linked manufacturing projects approved since 1981 had been mainly in the food, beverage and chemicals sectors.

UK-Japan group in Iran deal

IRAN has awarded a Y46.6bn (£199m) contract to a Japanese-UK consortium to build a chemical fertiliser plant in Khorasan Province, north-east Iran, Steven Butler reports from Tokyo.

This is the first time in 13 years that Japan's international trade and industry ministry will provide trade insurance for business with Iran.

Japan's Export-Import Bank will finance 85 per cent of the project.

Tomen trading company will act as main contractor, with the UK affiliate of Kellogg of the US in charge of basic design, and Kawasaki Heavy Industries responsible for detailed design and machinery procurement. The plant should be ready in autumn 1994.

Tokyo embarks on improving ties with Hanoi

By **Robert Thomson** in Tokyo

JAPAN HAS taken an important step towards improving relations with Vietnam by announcing a government mission to Hanoi to negotiate the repayment of loans that have not been serviced for over a decade.

The Japanese government regards the visit this weekend as a sign that it is prepared to develop a foreign policy independent of Washington. The US is unwilling to lift an embargo on Vietnam that has limited the country's access to foreign aid and investment.

Mr Michio Watanabe, Japan's foreign minister, indicated that the dispatch of the 10-member delegation, including representatives of the Trade Ministry, the Finance Ministry, and the Economic Planning Agency, is likely to be followed by another mission which will assess projects for possible financial assistance.

While Japan is keen to develop a stronger political presence in Vietnam and Cambodia, a Foreign Ministry official indicated that Washington had been consulted before taking the decision to send the delegation. The official said the US did not oppose a "step by step" improvement in ties between Tokyo and Hanoi.

The delegation, which will spend nine days in Vietnam, is to negotiate the settlement of arrears on Japanese government loans totalling Y28bn (£120m). Repayments were stopped after Japan and other countries suspended economic aid to Vietnam after its invasion of Cambodia in late 1978.

An expected settlement of the debt question and the likelihood of government assistance resuming in the near future will encourage Japanese companies to increase their exposure in Vietnam. Until now, they have been wary of large investments for fear of a negative reaction in the US, where the issue of Vietnam war servicemen missing-in-action remains sensitive.

Japanese investment in Vietnam has accounted for about 8.6 per cent of the total $1.06bn (£580m) pledged by foreign partners, while Taiwanese investment is about 14 per cent of the total and French capital 13.8 per cent.

Mr Watanabe, who has taken a personal interest in improving relations with Vietnam, said that fresh Japanese government money could begin flowing into the country within a year. New lending by the World Bank and other agencies is likely to follow the lifting of the US embargo.

Beijing reformers keep anxious eye on Moscow

Yvonne Preston on how China, like Russia and Ukraine, is facing some difficult economic choices

CHINA is anxiously watching reaction in Russia and Ukraine to the shock therapy of freeing prices from state control, one of the main pillars of centralised communist economic planning.

There has been little official comment here but media coverage has emphasised Moscow's empty shelves and desperate queues, contrasting them with reports of mid-winter plenty in Beijing and images of the city's well-stocked stores and street stalls.

Fear of civil unrest in the old Soviet empire spilling over its borders is a major worry for China, which has hastened to establish diplomatic relations with Russia, Kazakhstan, Uzbekistan, Ukraine and Tajikistan. Full diplomatic relations with Kirgizia were established on Sunday, giving it formal ties with all the former Soviet republics on China's border.

However, Beijing's concerns go beyond that. Economic reformers in the government are uncomfortably aware of the need to bite harder on the bullet of economic reform and so run the risk themselves of adverse reaction and civil unrest.

Economic reform in China has gone much further than under the communists in the old USSR, especially in the agricultural sector. Moscow is only now putting forward serious proposals to give Russian farmers freedom to work the land for themselves and the incentive of private profit while China decollectivised agriculture 10 years ago.

Freed to work their own piece of land and eager to get rich, the peasants ensured that food flowed onto the market in sufficient quantities to keep the gap between free market prices and state prices narrow. There was little opportunity for black-marketeers to buy out state stocks to resell at outrageously inflated prices on the free market, as happened in Russia and Ukraine.

Over 52 per cent of prices for Chinese farm produce are now market regulated. Even prices for grain and edible oil, heavily subsidised by the state, have been raised. Fears that the move would bring civil unrest proved groundless but further cuts in subsidies, on housing as well as staple foods, could mean trouble.

The official news agency, Xinhua, argued recently that prices should reflect market supply and demand. Price stability did not mean prices would never change and people were beginning to accept that, the agency claimed.

Paradoxically the privatisation of state-run agriculture, by boosting food supplies has helped shore up communist power.

By contrast the state-run industrial sector, the backbone of China's socialist system, is in a parlous state. It cries out for reform decisions as drastic as those just taken in Moscow and Kiev, and as risky.

Government officials here make no secret of the desperate state of the bulk of China's 10,000 state-owned industrial enterprises. Heavily overmanned and producing goods no-one wants to buy they have built up huge stockpiles and massive debts. Every year they eat up billions of dollars in state subsidies, more than goes to education or the military. One third of them are losing money.

Communist Party leader, Jiang Zemin, said recently the revival of the state sector was vital economically and to the "status of the public ownership economy and the solidity of the entire socialist system."

Some economists say the patient is so sick there is no hope of recovery. Last year for the first time in over 40 years, less than half industrial output, 45.6 per cent, came from the state sector.

Kickbacks, malpractice, corruption, embezzlement, expensive favours to retired cadres and lavish wining and dining by those still in the job, compound hefty losses.

The semi-official China News Service reported no lack of criminal cases of swindling public institutions out of several hundred thousand or even several million yuan.

To talk of reforming this rotting system, the main source of state financial revenues and the biggest employer of industrial labour, is one thing. Implementing reform is another, very risky business. State industrial workers enjoy lifetime employment. Housing, free health care, kindergartens, schools, leisure facilities and subsidised rice all come with the job. Profits and productivity come second to basic welfare, in a system designed to ensure quiescent workers and political stability.

Beijing wants every province in China to commit itself to closing 10 of its large, loss-making operations. No province has yet complied, fearing factory closures will lead to unrest from laid-off workers. Bankruptcy was first allowed by law in China in 1988, but it has so far taken its toll of only a handful of small collectives.

Indonesia seeks large rise in tax revenues

By **Claire Bolderson** in Jakarta

INDONESIA'S budget for the fiscal year beginning April 1 will rely on a big rise in tax revenues to fund an 11 per cent increase in spending.

President Suharto, in his budget speech to parliament yesterday, announced a drive to improve tax collection. "The public must become even more aware of their duty to pay tax. The number of taxpayers must be constantly increased, the tax administration and collection must continuously be improved," he said.

Development projects, which will comprise nearly 41 per cent of spending, will especially involve the improvement of Indonesia's weak infrastructure, particularly the road, communications and electricity sectors.

Revenue from income tax is projected to increase by 36.3 per cent while revenue from value-added tax will increase by 34 per cent. Growth in non-oil exports is also projected to contribute to the growth in revenues. A domestic fuel subsidy is being eliminated.

Revenues and expenditure in the 1992-93 budget, which by law has to balance, are to increase by 11 per cent to $28.9bn. The budget shows a growing reliance on domestic income as Jakarta tries to move away from dependence on foreign aid. The budget assumes a 7.4 per cent drop in foreign aid to $4.9bn.

President Suharto said that Indonesia would continue to use available foreign aid to accelerate development but that "the key remains in our own hands, namely to discover and develop domestic resources for development."

Sectors other than oil and gas are projected to supply nearly 70 per cent of domestic revenues, or $16.3bn, an increase of more than 29 per cent over the current fiscal year while revenues from oil and gas will contribute $6.9bn based on a projected average oil price of $17 per barrel.

The budget projects total exports rising by 8.8 per cent. Inflation for the 1992-93 year is put at 8 per cent compared with an official level of 9.52 per cent in 1991-2. GDP growth is estimated both for the current fiscal year and for the next at 6 per cent, a slight drop from rates of more than 7 per cent in the two previous years.

Suharto: duty to pay

President Bush with his South Korean counterpart, Mr Roh Tae Woo, in Seoul yesterday

Bush calls on South Korea to remove non-tariff barriers

By **John Riddling** in Seoul and agencies

MR George Bush, the US president, yesterday called on South Korea to remove all non-tariff barriers to trade and liberalise its financial system, saying that doing business in Korea was still more difficult than it should be.

Mr Bush, addressing the subject of trade liberalisation which has been one of the principal objectives of his Asia-Pacific tour – Seoul is his third stop and he arrives in Tokyo today – said that Korea had made "great progress in removing visible trade barriers over the last five years".

But he said that there are still "fundamental problems that stifle the ability of foreign firms to compete in Korea". He cited "cumbersome customs procedures" and "unjustified standards and regulations" as some of the difficulties facing US exporters.

Mr Bush also urged Korea's co-operation in a successful conclusion of the Uruguay Round of world trade talks. Korea's refusal to allow imports of rice has been one of the obstacles to a successful conclusion of the multilateral negotiations.

There were several scattered protests by students, farmers and dissidents demanding the Washington end pressure on the Seoul government to improve trade.

Students and farmers burned effigies of President Bush, torched US flags, staged marches and took out newspaper advertisements to demand an end to Washington's pressure for opening of Korea's rice market. Protests occurred in three cities, at the US embassy, in streets and on campuses. No arrests were reported and most protests were peaceful.

The main opposition Democratic party adopted a resolution urging Mr Bush to halt pressure to open Korea's rice market, saying it could touch off a new wave of anti-Americanism.

Thirty-seven opposition party members who represent farm districts boycotted Mr Bush's speech to the National Assembly. The Democratic party has 75 seats in the 299-seat parliament.

Riot police blocked a march on parliament by angry farmers. There was pushing and shoving, but no serious injuries were reported.

In Kwangju, 210km south-west of Seoul, about 300 students shouting "No rice imports" staged a rally in the streets, the national news agency Yonhap reported.

Another group of several hundred students burned an American flag and a bag of US rice before riot police dispersed them, Yonhap said. Later, 400 students staged a torch-light parade through Kwangju.

The government-backed National Agricultural Co-operative Federation placed half-page advertisements in two English-language newspapers to support the government's protectionist stance. It cited a recent campaign that collected 13m signatures in support of keeping the rice market closed.

Algerians deny any nuclear link with Iraq

By **Francis Ghilès** in Algiers

ALGERIA'S Foreign Ministry said yesterday that there was no truth in British press reports that Iraq had supplied either experts or nuclear materials to help Algeria build a military nuclear reactor.

Algeria had decided to submit both its nuclear reactors – at Draria and at Ain Oussera – to the control of the International Atomic Energy Agency in Vienna. Mr Lakdar Brahimi, minister of foreign affairs, said yesterday: "As far as I know the agency is 100 per cent satisfied with the arrangements that have been or are in the process of being made."

Britain yesterday urged Algeria to sign the Nuclear Non-Proliferation Treaty, but an official refused to confirm the Sunday Times report.

"We look to Algeria to abide by this undertaking and invite the IAEA (International Atomic Energy Agency) as soon as possible" to inspect the plant, a British official said.

He said China, which is helping Algeria to build the reactor, had given similar assurances.

"We also note Algeria's affirmation of a commitment to nuclear non-proliferation and we urge her to formalise this commitment by acceding to the NPT," the official said.

Meanwhile, Mr Sid Ahmed Ghozali, Algeria's prime minister, acknowledged yesterday that last month's vote for the radical Islamic Salvation Front (FIS) reflected the population's "profound despair". Breaking a 10-day silence, Mr Ghozali told Algerian journalists that despite his government's best efforts, the elections had not been as fair as he had hoped.

Mr Abdelkader Hachani, provisional leader of the FIS, which won 47.3 per cent of votes in the first round of polling on December 26, said that most cases of alleged fraud sent to the Constitutional Council were "completely without foundation".

"Other extremist parties which have been rejected by the people are trying to manipulate the media in order to frighten off these people from the choice of an Islamic state," he said.

Observers say that complaints of cheating will make little difference to the commanding lead seized by the fundamentalists in the first round of voting.

Kuwait's defence spending expected to increase sharply

By **Mark Nicholson**, Middle East Correspondent

KUWAIT's long delayed first budget since the Gulf war is expected to allow for a steep rise in defence spending to $9bn from $1.55bn in the last budget and an outlay of more than $10bn on war-related expenses.

The figures, disclosed in the Middle East Economic Survey (Mees), are contained in a planned budget that covers the year from July 1 last year. They were delayed because of post-war disarray among Kuwait's government departments.

The planned budget is being reviewed by committees of the National Council, the emirate's interim and purely advisory assembly, before publication in its final form.

Diplomats expect that it will be published early next month.

The present draft projects an overall 67 per cent rise in government spending for the year to $20.99bn, according to Mees.

Revenues are expected to reach $3bn, mostly from oil sales, as output is planned to accelerate towards pre-war levels of 1.5m barrels a day by the end of this calendar year.

Part of the remaining deficit will be made up by income from Kuwait's overseas investments, though no estimates for these are disclosed in the plan.

Before the Iraqi invasion in August 1990, investment income on Kuwait's estimated $80bn to $100bn overseas assets often exceeded incomes from oil.

However, Kuwaiti economists estimate that payments to Gulf war allies and reconstruction costs may have run these assets down to less than $50bn. Extraordinary, non-recurring costs related to the war are put at $10.28bn in the present budget draft – including $7.31bn in payments already made to Desert Storm allies and $1.34bn to pay for a write-off of consumer loans to Kuwaiti citizens.

This spending, on top of the likely deficit for the present fiscal year and the cost of restoring oil production, may force Kuwait to return to international markets for finance.

Since the war, the emirate has already tapped international banks for a syndicated loan worth $5bn.

NZ intervenes to prop up dollar after sharp decline

By **Terry Hall** in Wellington

THE New Zealand Reserve Bank yesterday intervened to stop a sharp decline in the value of the New Zealand dollar which has fallen by 4 per cent in the past three weeks to trade at record lows against its trade-weighted index.

A formal statement from the central bank expressed alarm at the falling value of the currency which it said would push domestic inflation to 3.5 per cent by the end of the year.

The bank operates under an act of parliament which places it in charge of monetary policy, with the objective of achieving nil to 2 per cent inflation by next year.

The statement, with its underlying threat to tighten monetary policy if the dollar continued to fall, appeared to do the trick, with the currency moving into what is regarded by the Bank as an acceptable level of 54.7 US cents compared with 52.7 US cents on Friday.

The bank was reported to be pleased with the movement, as it was keen to avert a politically unpopular tightening of monetary policy which would have damaged the recession-hit economy by pushing up interest rates. The Reserve Bank was instrumental in the currency's slide when it released official forecasts before Christmas which said inflation would be at the lower end of its target range of between 1.5 and 3.5 per cent.

Hong Kong sees record container throughput

By **Angus Foster** in Hong Kong

HONG KONG'S container port handled more than 6m TEUs – or twenty-foot equivalent units – for the first time last year and total cargo throughput exceeded 100m tonnes also for the first time.

Container traffic increased 21.7 per cent to about 6.2m TEUs, according to provisional figures from the Hong Kong government. Singapore, which overtook Hong Kong as the world's busiest container port in 1990, is expected to announce even higher throughput figures later this year.

Hong Kong's increase is largely a result of exports from southern China. Hong Kong manufacturers have shifted production across the border into China for cheaper land and wages. Southern China's economy has also expanded rapidly, despite an austerity programme launched in 1988.

"China trade has been steaming ahead at a greater rate than anyone could have forecast two to three years ago," said Mr Ian Dale, assistant director of marine planning.

Hong Kong's rate of increase, which exceeded government five-year forecasts, will add urgency to plans for the colony's ninth container terminal, due to become operational in 1995. The site for the terminal has been criticised by environmental groups who are calling for it to be scrapped and the new terminal built later at a different site.

PHILIPPINES NUCLEAR POWER CORRUPTION ALLEGATIONS

Westinghouse urges US court to drop bribery charges

By **Frank Gray**

WESTINGHOUSE Electric of the US has called on a US federal court to drop bribery and corruption charges against it in connection with a nuclear power project in the Philippines.

The $1.1bn civil action was brought against Westinghouse and consultants Burns & Roe, also of the US, by the Philippines government and the National Power Corporation of the Philippines. Last autumn, the companies were committed to face trial by jury, which is scheduled to begin on February 3.

The appeal follows an unexpected judgment by the International Chamber of Commerce in Geneva, which is hearing aspects of the case. The ICC, shortly before Christmas, found that the case against Westinghouse was circumstantial and without merit.

The allegations stem from a contract awarded to Westinghouse in 1976 to supply the Philippines with a 620 MW nuclear power station. The allegations claimed that $17m in consultancy fees paid to Mr Herminio Disini, a Manila businessman, were passed on to then-president Ferdinand Marcos to secure the deal. The nuclear station was completed, after several delays, in 1986, shortly before the fall of the Marcos government. It was mothballed before being put into service by the government of Mrs Corazon Aquino.

A number of issues relating to the performance of the contract were turned over to the ICC arbitration tribunal in Geneva, but part of the ICC's brief was to consider the bribery and corruption allegations.

To the surprise of both the defendants and the plaintiffs, the ICC judgment came down strongly in favour of the US companies.

The judgment said:

"There is no direct evidence that Marcos supported Westinghouse because he expected to benefit [from commission payments to an intermediary]. The circumstantial evidence also fails to prove that Marcos promoted Westinghouse because he expected to receive [commission payments from an intermediary]. There is no evidence either of any agreement between Marcos and Westinghouse or [that the intermediary] acted as agent for Marcos.

"Although [the Philippine] parties argue that the circumstantial evidence establishes that Marcos must have received a share of the commissions [from the intermediary], the tribunal is not persuaded."

A Westinghouse official said that the company was delighted with the news as it "vindicates the position which Westinghouse has taken for over 14 years, that is, that not one dime was ever paid by Westinghouse to President Marcos."

The company now hopes Judge Dickinson Debevoise, the New Jersey federal court judge, will drop charges. In his decision to order the jury trial, he said he found "ample evidence to permit a reasonable jury to find that the Disini commissions were intended to be paid in whole or in part to President Marcos."

According to US legal officials, he now will have to weigh his findings against those of the ICC. He is expected to rule on the Westinghouse appeal following oral hearings on January 24. Judge Debevoise will be the presiding magistrate at the jury trial should it still go ahead.

A spokesman for the plaintiffs said the Philippines government was considering an appeal to the Swiss Supreme Court.

NEWS IN BRIEF

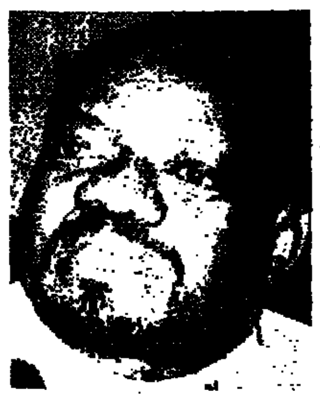
Nigerian central bank takes control of NBN

The Central Bank of Nigeria (CBN) yesterday assumed direct control of the financially troubled National Bank of Nigeria (NBN), the country's oldest indigenous bank, Reuter reports from Lagos.

A CBN statement, quoted by the News Agency of Nigeria, said it had asked the Nigeria Deposit Insurance Corporation (NDIC) and a special task force to take control of the bank's business on its behalf.

CBN said NBN, jointly owned by four south-western state governments, could not meet the demands of its depositors. NBN was among nine commercial banks classified as distressed by an NDIC report last October.

Savimbi denies tourist killings



The Angolan opposition leader, Mr Jonas Savimbi (right), said yesterday that his former rebels were not responsible for the deaths of four British travellers killed in an ambush, Reuter reports from Abidjan.

However, Mr Savimbi, head of the Unita movement, also said at a press conference in the Ivory Coast that he did not think it was wise for foreigners to travel in a country which had just ended a civil war. He blamed robbers for the attack which occurred near a base where thousands of former Unita rebels are confined.

MPs on mission to Libya

A British politician and an Italian member of the European parliament have begun a fact-finding mission to Libya at the government's invitation to discuss the 1988 bombing of the Pan Am airliner over Lockerbie, Reuter reports from Tunis.

A British opposition Labour party MP, Mr Bernie Grant, said that he wanted "to make sure that the Libyan government position is accurately taken back to the British parliament". Britain and the US have threatened sanctions against Libya if it does not hand over two intelligence agents suspected of blowing up the Pan Am jet.

Saddam makes defiant speech

Still defiant a year after the Gulf war, Iraq's President Saddam Hussein attacked his enemies yesterday and boasted of his missile attacks against Israel, Reuter reports from Baghdad.

In a televised address marking "Army Day", Mr Saddam recalled with pride his Scud missile attacks on the Jewish state: "The Mother of All Battles liberated Arabs everywhere, particularly after the Hussein, Abbas and Hijara missiles hit the cursed Israel," he said. Unlike past years, however, there was no military march-past for the president.

India to repatriate Tamils

India is to begin repatriating about 200,000 Tamil refugees back to Sri Lanka, a foreign ministry spokesman said yesterday, Reuter reports from New Delhi.

An Indian chartered ship is to take the first batch of 5,000 refugees back to the strife-torn island in two weeks' time. The visiting Sri Lankan foreign minister, Mr Harold Herat, discussed the repatriation and moves towards a political settlement of the nine-year civil war with his Indian counterpart, Mr Madhavsinh Solanki, the spokesman said.

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AMERICAN NEWS

Machine delivers colour images down existing lines

AT&T unveils home video phone

By Martin Dickson in New York

AMERICAN Telephone & Telegraph yesterday unveiled what it claims is the world's first mass-market video-telephone – a machine costing $1,499 that can be used in the home over existing phone lines and deliver full colour, moving images of a caller.

Video communications are now virtually limited to the business market, employing systems which cost tens of thousands of dollars. Most rely on video-conferencing rooms and special digital telecommunications networks.

Rival manufacturers in both the US and Japan have also been developing inexpensive models for the home market, but AT&T is thought to be the first to bring a product to market and back it up with its immense marketing strength. The company is the leading US provider of long-distance telephone calls and a big global maker of telecommunications equipment.

The AT&T equipment, which requires no special installation, uses a standard sized telephone and a fold-up 3.3 inch liquid crystal display video screen and camera lens. Callers who want privacy can close a shutter over the lens. It will cost the same to use as a normal telephone call.

The AT&T telephone gives a slow motion picture of a caller which is out of synchronisation with the speaking voice – a big problem with delivering video services to the home using current technology.

However, Mr Kenneth Bertaccini, president of AT&T consumer products, said consumers involved in trials of the equipment found its variable picture motion, between two and 10 frames a second, adequate for their personal communications.

The company will begin selling the equipment, which is called VideoPhone 2500, in the US in May and will also rent out the equipment for under $30 a day.

It also intends to offer a service for public areas, such as airports and hotel lobbies, later this year.

The company plans eventually to market the equipment internationally, and is discussing licensing agreements with a number of companies.

Mr Bertaccini said he believed that "by the year 2001, visual communications will become as important to consumers as wireless communications". However, analysts said that while the AT&T model was relatively inexpensive, the price would probably have to drop substantially more to attract a truly mass market.

The video compression portion of the phone will be made by Compression Labs of California which has signed a joint development agreement with AT&T to provide the video compression technology.

The AT&T Phone Centres will also rent the product for $30 per day, and lease it for longer periods.

It will also make the VideoPhone available for people to place calls. Later this year, the company said, it plans to offer public VideoPhones for hotel lobbies and airport lounges.

Call to save US motor industry

By George Graham

THE US vehicle industry is dying and needs government help to survive, according to a new report by the Economic Strategy Institute, a Washington-based think tank.

"Detroit is basically going out of business and is being displaced by Japan. When the auto industry goes down the tubes, so do a lot of other American industries," said Mr Clyde Prestowitz, a former Commerce Department official under the Reagan administration and institute president.

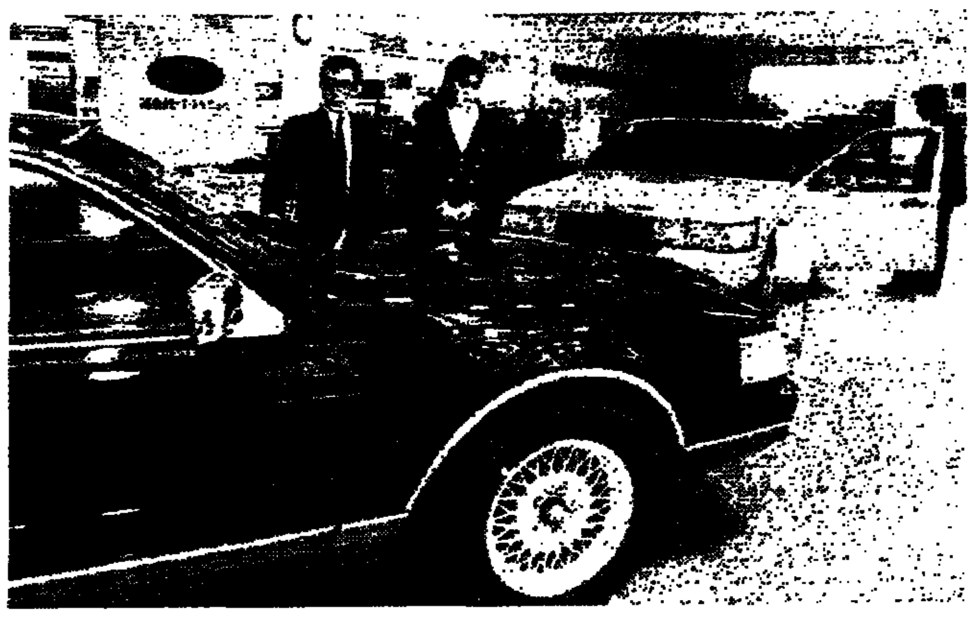
The call for government intervention came on the eve of President George Bush's arrival in Japan. The president has taken with him the heads of General Motors, Ford and Chrysler in an attempt to persuade Japan to ease market access for US cars and to persuade voters that he cares about the US recession.

US carmakers suffered one of their worst years in 1991. The big three lost $5bn (£2.7bn) between them in the first nine months, and last month GM said it would close 21 plants and cut 74,000 jobs. Ford yesterday said it sold only 2.87m cars and trucks last year, down 14 per cent from 1990.

The report says US carmakers have improved quality and efficiency but still suffer a cost disadvantage of $1,481 a car against Japanese competitors because of differences between the two economies.

Around $505 of this difference comes from the cost of health care, usually borne by the employer in the US but is covered by the state in Japan. Organisational costs, including pension plans, contribute $660, and labour costs are $316 per car higher in the US.

The report says the US government should give an income tax credit to people who buy US-built cars this year, and should use $2bn of military research money to provide low-interest loans to the car industry for research into energy conservation, safety and pollution control.



TOKYO MAY SET TARGETS FOR CAR IMPORTS

As dealers (above) tried to sell US cars in Tokyo showrooms yesterday on the eve of President Bush's visit, Mr Kozo Watanabe, international trade and industry minister, said Japan would probably have to set import targets for US cars and car parts to satisfy American demands, Reuter reports from Tokyo.

The minister was due to appeal to Japan's car industry to boost purchases of US cars and components. "I must ask for your co-operation to make [Mr Bush's] visit a success," he told industry officials.

Car trade friction and Japan's trade surplus with the US will be high on Mr Bush's agenda. Japan's big carmakers plan to boost purchases of foreign-made cars, but some say there are limits to what they can do. Toyota and Nissan said yesterday they might boost imports further. Sales of US-made vehicles in Japan for January-November 1991 totalled 27,754, out of 180,852 imported vehicles sold there in the same 11 months.

Puerto Ricans ponder future

Governor who got it wrong will step down, reports **Canute James**

MR Rafael Hernandez Colon, the governor of Puerto Rico, has decided against seeking another term in elections this year, after misreading the mood of the 3.3m people of the island about their political future.

The decision of the governor, who has been in office since 1984 and served an earlier term between 1972 and 1976, has coincided with increasing concern over the economic future of the US Caribbean possession, and over whether tax preferences which have contributed to its economic health will be continued.

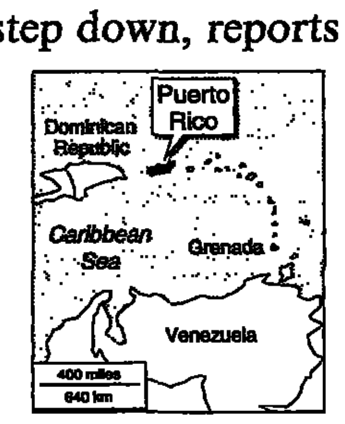
Mr Hernandez Colon has been losing popularity, not only among Puerto Ricans in general, but in his own Partido Popular Democratico (PPD), where he was being challenged for the candidacy in this year's gubernatorial elections by the popular Mrs Victoria Munoz Mendoza. The governor's decision to step aside will spare the PPD a damaging battle over the candidacy, at a time when it could least afford one.

Mr Hernandez Colon's decision also means a PPD united under Mrs Munoz Mendoza will present a stronger challenge to the opposition Partido Nuevo Progresista, led by Mr Pedro Rosello, which has been gaining in popular support from public disfavour with Mr Hernandez Colon.

Mr Hernandez Colon committed a seemingly grave error of judgment last month, leading the PPD to a setback in a referendum which it lost by a wide margin. Puerto Ricans were asked to say whether they supported his proposals for a package of "democratic rights". These included a guarantee of continued US citizenship for Puerto Ricans regardless of any future changes in the island's political status, maintaining Spanish as the territory's official language, and protection for Puerto Rico's "cultural identity".

The referendum was a clear effort by Mr Hernandez Colon and his party to influence Puerto Ricans, and Washington, over the island's political status. Puerto Ricans have been contemplating their political future, and a plebiscite will give them a chance to decide whether they want to continue the current "commonwealth "relationship with the US, become a state of the union, or be politically independent.

Puerto Ricans are US citizens, but cannot vote for a president. The island is represented in Washington by a commissioner who has no vote to influence legislation.



Mr Hernandez Colon's PPD supports an enhancement of the current quasi-colonial "commonwealth" relationship with the US, while the opposition PNP, led by Mr Rosello, advocates a move to statehood. Support for the government's proposals would have damaged the island's chances of becoming a state: Washington is unlikely to look kindly at having a Spanish-speaking state in the union. And islanders showed little enthusiasm for independence, relegating the Partido Independentista Puertoriqueno (PIP) to a distant third place in recent elections.

When the referendum on statehood is held, the decision is likely to turn on economic issues. As a "commonwealth", Puerto Rico benefits significantly from transfers of federal funds and its economy rests on a section of the US Revenue Code which gives tax breaks to mainland companies investing in the island.

Federal transfers reached $7.7bn (£4.2bn) in 1990, the highest ever received by the island, with half going to welfare programmes and the rest to government expenditure. On a per capita basis, however, this was less than was received by the poorer US states. Even supporters of statehood in Puerto Rico agree that changes which would have to be made if the island became a state could see a reduction in the flow of federal funds.

The Puerto Rican administration committed itself to providing $100m a year for lending to Caribbean and Central American states. Loans totalling about $700m have been approved for a range of ventures, mainly in Trinidad and Tobago, Barbados, the Dominican Republic, Jamaica and Costa Rica.

Caribbean states which have gained from Mr Hernandez Colon's programme will be keen to determine whether Mrs Munoz Mendoza, if elected, will continue the facility. It is unlikely that a PNP administration, should Mr Rosello win, will find the financing facility compatible with its desire for the island to become a state.

Brazil calls for rethink on use of resources

By Christina Lamb in Rio de Janeiro

MR José Lutzenberger, Brazil's environment minister, yesterday accused the industrialised world of "continuing on a suicidal path" and called on world leaders and businessmen to "use 1992 to rethink our model of economic development".

He warned: "If we do not want our children to be damned we must end our current destructive culture and stop acting as if the planet is a mountain of resources that we can use up as quickly as possible."

The market economy was only a good model "if it is complete – which means including future generations and the have-nots. What we are currently doing with resources such as the Amazon is like the auction of a priceless painting to a group of people who don't know its real worth, by a thief who just wants to take his profit and run."

His appeal came at the launch of the Brazilian Foundation for Sustainable Development, a $2.4m initiative by 24 of the country's leading companies to create a technological databank.

He said the destruction of the Amazon rainforest should be the world's principal preoccupation. Contrary to predictions by leading Amazonian scientists, he claimed that deforestation last year was down on 1990. Although official figures will not be published until April, Mr Lutzenberger said he expected the destruction to be 8,000-9,000 sq km, compared with 14,000 in 1990 and 90,000 in 1987.

According to Mr Lutzenberger, the removal of subsidies has virtually eliminated the destruction of rainforest by large ranches. His main preoccupation now was with those exporting precious woods, such as mahogany.

■ A weekend of torrential rain in Rio de Janeiro has left a trail of destruction, with at least 23 people dead and hundreds homeless.

The rains, which began late on Saturday, were the worst since 1988, when many people died in flooding or were buried under rubble from *favelas* (slums) sliding down the hills of the city.

The rains swept rubbish and sewage into houses and streets in northern suburbs, leading to renewed fears over cholera.

Falklands arbitration sought

By John Barham in Buenos Aires

ARGENTINA'S President Carlos Menem has called on Britain to accept international arbitration to settle the two countries' rival claims to the Falkland Islands.

Over the weekend, Mr Menem said Argentina's decision last year to refer a border dispute with Chile to a panel of international jurists was a valid precedent for settling the Falklands question. However, Argentina's Foreign Ministry yesterday "clarified" the president's statement, denying that it implied a formal government commitment.

The ministry said it intended to pursue with "imagination and firmness all possible alternatives" in its negotiations with Britain. The ministry said arbitration would be only one of several options.

However, British officials cut short any talk of arbitration. The embassy in Buenos Aires said: "We have no doubt about our sovereignty".

● Inflation in Argentina fell to 84 per cent in 1991, the lowest since 1986, after reaching 1,344 per cent in 1990. December inflation was 0.6 per cent.

Number of company failures up by 50%

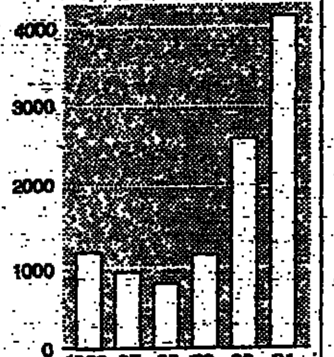
By Charles Batchelor

THE number of company receiverships rose more than 50 per cent in 1991 but still represented only a small proportion of companies in difficulty, according to accountants KPMG Peat Marwick.

For every receivership there are three or four companies facing financial difficulties and which have been put on their banks' "special watch" or "intensive care" list, said Mr Tim Hayward, head of corporate recovery.

If there is no market for the business or its assets, receivership leading to insolvency is a last resort which only leaves the bank with a bad debt. Well over half of companies which are helped by their bank survive, Mr Hayward said.

Receiverships



Source: KPMG Peat Marwick

In 1991 4,112 companies went into receivership, an increase of 56 per cent on 1990 and more than three times the 1,187 figure for 1989.

Peats expects the number of receiverships to continue at least the 1991 level this year as the international business scene becomes increasingly bleak. The prospects of a "double dip" recession in the US and the sharp decline of the Japanese stock market mean that the outlook for UK exporters will become more difficult.

Mr Hayward said he did not expect a marked recovery for at least another year. Even when it came it will lead to "second round failures" as business picks up and overwhelms companies' financial resources.

Failures in the retail sector accounted for 7.5 per cent of the total and numbers are expected to increase after the end of the New Year sales. But many of the businesses in this sector are small so they will appear as liquidations or bankruptcies and not as receiverships.

Manufacturing companies made up 29 per cent of 1991 receiverships and Peats sees no improvement this year because of the poor outlook for exports.

A sector where there may be some improvement is hotels and catering. This sector accounted for 5 per cent of the total in 1991.

Tories attack Labour tax plans

By Alison Smith

THE ruling Conservative party yesterday launched what amounts to their first pre-election offensive with a renewed claim from Mr Norman Lamont, the chancellor of the exchequer, that taxes would "go through the roof" if there was a Labour government.

Using figures drawn from the costings of Labour policies that the Tories presented in June last year, Mr Lamont said that a taxpayer earning £14,000 would be, on average, £1,000 a year worse off if Labour won the election.

But Mr John Smith, Labour's chief finance spokesman, called the calculations "absurd". He accused the Tories of going for "the big lie" and warned that the move was intended to divert attention from the state of the economy.

Mr Lamont, meanwhile, reiterated the Tories' pledge to reduce the basic tax rate to 20 pence in the pound. He underlined, however, that the reductions would be made only when they were "affordable".

While the Tories are keen to emphasise their commitment to being the party of lower taxation, especially given the rise in the tax burden since 1979, they are also conscious of the need to maintain their reputation for economic competence.

The Tory attacks on Labour are part of national campaign on the theme of "Labour's tax bombshell", involving more than 1,000 posters and thousands of leaflets with figures estimating the tax increases that would be levied by the opposition.

Mr Neil Kinnock, the Labour leader, sought to pre-empt the onslaught by insisting at the weekend that 88 per cent of all earners would not suffer higher taxes under Labour. He claimed the only increase would be a new top rate of income tax of 50 per cent instead of the current 40 per cent for people earning well over £30,000.

Mr Lamont, however, said anyone who did not accept that Labour would have to increase taxes across the board to pay for its "wish list" of policy pledges, was "living in Cloud Kinnockland".

The increases would be needed, according to Tory officials, to fund an annual Labour spending programme estimated by the government at £35bn.

The costings assume that Labour's planned tax changes – notably the removal of the ceiling on national insurance contributions and the introduction of a top tax rate for high-income earners of 50 per cent – would raise £10bn and that the remaining £25bn would come from raising the standard income tax rate from 25 to 35 per cent.

At a press conference to launch the Tory campaign, Mr Lamont said he had no plans to raise indirect taxes, and emphasised that the last 5p reduction in the standard rate of income tax had been achieved without a corresponding shift to indirect taxation.

Tories believe that fear of a high-spending Labour government is still a potent political weapon, even though Mr Neil Kinnock, the Labour leader, said that no one earning below the ceiling for national insurance contributions – currently £20,280 – would be affected by Labour's tax plans, and there would be no increase in the basic tax rate of 25 per cent.

Labour, in turn, has tried to raise the prospect that the Tories would increase Value Added Tax (VAT) if they won the election, drawing the parallel with the increase after their 1979 victory from eight per cent to 15 per cent.

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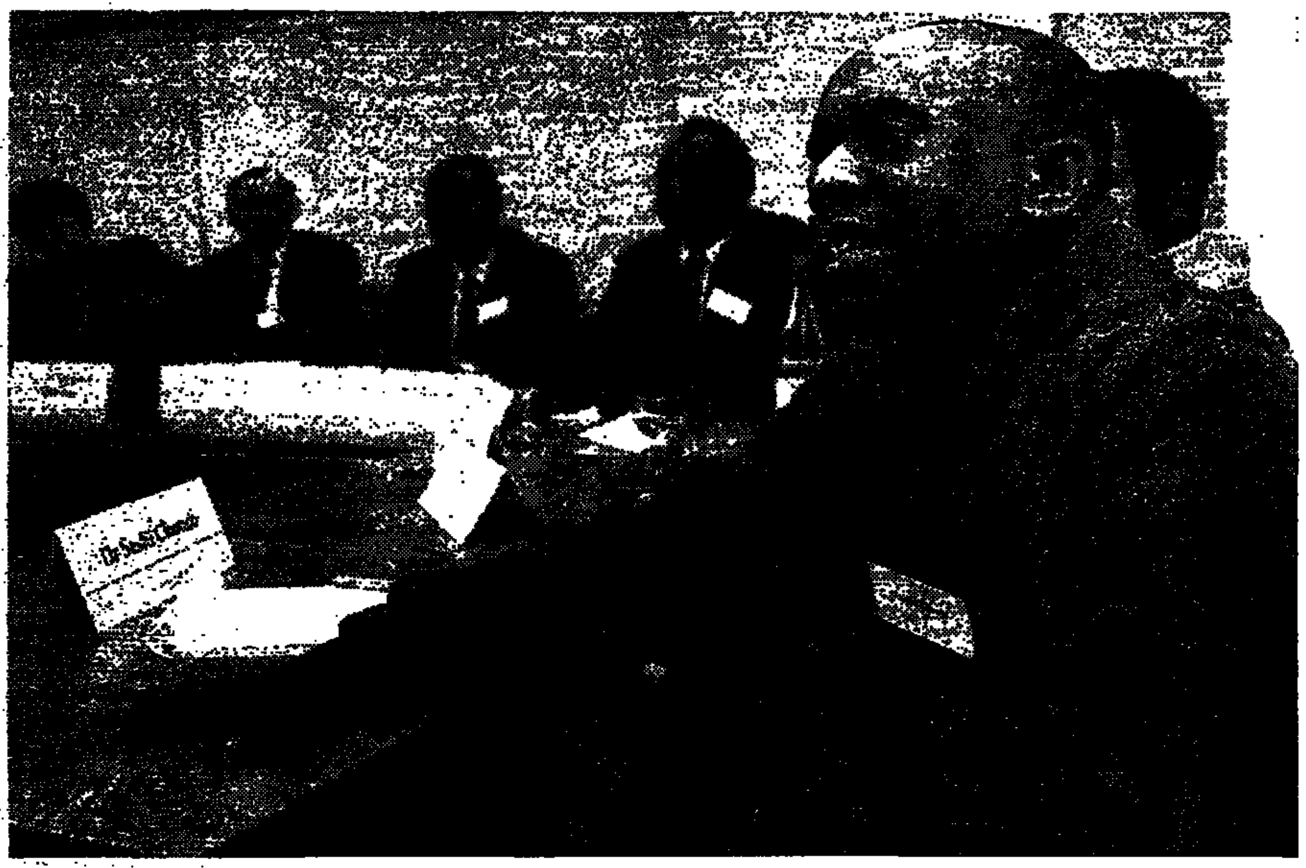


Members of a black South African delegation to London yesterday discuss their training programme as government administrators. The 10-strong delegation will be trained in the role of public administration. Candidates for the six-week UK government course were nominated by South African political parties including the African National Congress and the Pan-African Congress.

Peugeot sees profit despite recession

By John Griffiths

PEUGEOT Talbot, the UK subsidiary of the French car maker, will be shown to have made an "acceptable" level of profit in 1991 when the severely depressed state of the car market is taken into account, managing director Mr Geoffrey Whalen said yesterday.

He expressed a belief that the UK car industry would undergo a modest revival this year after hitting "rock bottom" in December.

His remarks came on the eve of publication of Society of Motor Manufacturers and Traders statistics which will show car sales last year fell to their lowest level since 1982.

The statistics will show unit sales at just under 1.6m, down by more than one-fifth compared with 1990 and by nearly 31 per cent compared with the record year of 1989, when 2.3m new cars were sold.

Mr Whalen declined to comment on the size of last year's profit made by Peugeot Talbot, which is the sales and manufacturing subsidiary of the French group. It is expected to be more than halved compared with 1990's pre-tax profit of £109m. However, the 1990 figure was the company's second best result since Peugeot took over the chronically loss-making UK operations of Chrysler (formerly Rootes group) in 1978.

Among the rest of the UK's major car makers, Vauxhall's chairman, Mr Bill Ebbert, has also said that the General Motors subsidiary "will definitely stay in profit". This is in stark contrast to Ford, which has warned that its 1991 financial performance would be "far worse" than the pre-tax loss of £274m incurred in 1990. British Aerospace subsidiary Rover Group showed a £45m trading loss in the first half of last year, compared with a £33m profit in the same period of 1990.

Work is continuing at Peugeot Talbot's manufacturing facility at Ryton, near Coventry, on additional facilities to build a second range of cars from early 1993. Currently, it builds only the 405 upper-medium car.

BRITAIN IN BRIEF

Safari park owners call in receivers

Themes International, the privately owned leisure group which owns Windsor Safari Park and Hollywood Bowl bowling alleys, has been placed in administrative receivership. Windsor Safari Park is among the UK's best-known theme parks, while Hollywood Bowl, with 13 bowling alleys, is the fourth largest chain of bowling alleys in the UK. The group also includes the Liberty Street restaurant chain and the Heights Night club group, as well as pubs, Bygone Times, the largest antiques market in Europe, a paddle steamer in Rotterdam, and other leisure operations in Spain and the USA. Some 1200 people are employed by the group which made a pre-tax loss of £1.17m in 1990 on turnover of £42.75m.

Bank sells £1.32bn in gilts

The Bank of England sold £1.32bn of government gilt edged securities in November, *according to official figures*, prompting City analysts to suggest that the government is close to funding the public sector borrowing requirement in 1991-92. The Bank's final monetary statistics for November showed large scale purchases of £1.1bn of gilts by the non-bank private sector in the month, pointing to strong investor interest among institutions. According to Mr Don Smith, a UK economist for Greenwell Montagu Gilt-Edged, the government may have to sell only another £500m of gilts to fully fund the £10.5bn PSBR *for 1991-92 forecast* in the Treasury's Autumn Statement.

Tax staff may end dispute

Tax staff have been recommended by their union to stop their over-time ban and a time-consuming "work to charter" after concessions from the Inland Revenue on a disputed performance pay system. Members of the Inland Revenue Staff Federation (IRSF) voted at the beginning of December by more than three to one to concentrate on tasks of immediate benefit to the public, in the spirit of the government's Citizen's Charter, rather than to the Inland Revenue. The working to charter began in the middle of last month and was backed up by an overtime ban.

Schools urged to set exams

Secondary schools in England and Wales are to be invited to set pilot examinations in mathematics and science devised for 14-year-olds, Mr Tim Eggar, the education minister, (pictured below) has announced. Mr Eggar hopes that nearly all schools will agree to submit their pupils to the pilot exams. The exams will have three one-hour written papers each in mathematics and science. In 1993, tests in mathematics, science, English and technology will become compulsory for 14-year-olds as part of the national curriculum.

Resort hotels 'dangerous'

Britain's Consumers' Association, the retail watchdog, claims 90 per cent of the hotels it investigated in a survey of resorts in Spain, Portugal and Greece were dangerous to holidaymakers. *All but four of 42* hotels investigated by the association have been criticised by inspectors working for the magazine Holiday Which? The January edition of the magazine reports "major safety flaws in every grade of hotel" in Benidorm, the Algarve and Corfu. The hotels were assessed for fire and glass hazards, as well as safety in swimming pools, play areas, lifts, and balconies.

Cable offers Commons TV

A new cable channel offering round-the-clock coverage of the House of Commons will be launched on Monday when MPs return after the Christmas recess. The Parliamentary Channel, run by nine leading cable television companies, will be available to more than 200,000 cable homes throughout the UK. The channel, which will be run as a non-profit venture, is similar to C-Span in the US which has provided coverage of Congress for the past 10 years and is available in around 52m American cable homes. The channel will be run on behalf of the nine consortium members by United Artists Programming. The nine include many of the major cable television operators and US telephone companies such as Pacific Telesis and Southwestern Bell.

Two groups win contracts

Balfour Beatty and Tarmac Construction have between them won £161.6m of this year's major new motorway and trunk road contracts contract awards, equivalent to some 45 per cent of the more than £350m total. Two years ago, the top two contractors - Balfour Beatty and Fairclough Civil Engineering - secured less than 29 per cent of work available, which amounted to more than £500m.

'Money wasted on headhunters'

Companies are wasting thousands of pounds on the services of headhunters and recruitment consultants in their search to find the right candidates for top jobs, according to an independent study. Some consultants are more concerned with keeping on the right side of job applicants than putting candidates through their paces, according to the survey of 365 executive recruitment consultancies throughout the UK.

House prices fall further

House prices fell 2.5 per cent in the third and fourth quarters last year although there were marked regional fluctuations, according to the quarterly survey by Nationwide, one of Britain's largest home loans and savings institutions. Prices rose 1.5 per cent in the north but fell 3.5 per cent in the south east and, allowing for inflation, are now on average 6 per cent lower than at *the same time last year*.

Report backs energy critic

The electricity industry is wasting money by investing in costly gas-fired power stations, according to a new report. Its publication coincides with the news that Mr Malcolm Edwards, commercial director of British Coal, and a stern critic of the electricity generators' "dash for gas", is being forced out of the company.

Mr Edwards said the electricity industry was spending £5bn on new gas-fired plant which would be more expensive to run than existing coal-fired plant, of which the capital costs had already been written down. The report which was commissioned by the Coalfields Communities Campaign, supports Mr Edwards' view that the privatisation of the electricity industry has encouraged a short-term approach to investment.

EC funds £25m for training

More than £25m of European Community funding has been allocated to British organisations for training projects designed to help women, people with disabilities and to promote new qualifications.

Dealing in the business of fear

Money is the oxygen which keeps terrorist organisations alive; without it they would die of asphyxia. None are more reliant than those of Northern Ireland, from where Jimmy Burns reports on the paramilitary economy

BEHIND the more visible measures to deter terrorism in Northern Ireland the government and the Royal Ulster Constabulary (RUC) are fighting a secret war against the IRA's fund-raising efforts.

Officials believe the IRA raises up to £6m-a-year to buy arms and explosives, to make weekly payments to some 500 active "volunteers", for the testing of weapons, safe houses, travel and bribes.

Protestant paramilitaries also fund their operations from racketeering, generating income estimated by officials to be in the region of about £2m per annum. But the IRA's financial activities and military organisation have been identified as far greater and more sophisticated than the protestants and now appear to be the main focus of RUC activities.

The IRA's bombing campaign against commercial targets and its assassinations of executives whose companies supply the armed forces have fuelled the climate of fear on which racketeering and extortion breeds. Two IRA car bombs went off yesterday in the centre of Belfast, plunging the city into chaos for thousands of office workers and shoppers.

The war against the paramilitary fund-raisers centres on two special units; one at an anonymous looking brick building in east Belfast; the other in government offices housed at Stormont Castle.

The first is the RUC's C13 anti-racketeering squad. The second is a little-known department made up of taxation experts, accountants, and an assortment of secretive intelligence gatherers from various sections of the Civil Service, the government administrators.

Both C13 and the special government department are now considered by some officials as important an instrument in the fight against terrorism as the police and army detachments that regularly patrol the streets.

C13 was set up officially in in 1986, but has only recently had its status within the RUC upgraded. It now has a greatly-increased complement of personnel and state-of-the-art surveillance equipment and computerised intelligence data banks. Officers have had contacts with the FBI in the US and European police forces, such as the Italians who have experience of dealing with organised crime.

The Civil Service unit at Stormont is a more recent creation. The Northern Ireland Office, for security reasons, carefully protects the identity of its members, some of whom are drawn from government departments not normally associated in the public eye with counter terrorism.

The main areas of the black "micro-economy" in which officials claim paramilitaries have been operating include:

- Taxi services. Contributions are believed by officials to be made from companies operating in the republican and loyalist strongholds of Belfast.
- Non-invoiced drink sales. Money is thought to be channelled from sales in the social clubs which have taken the place of some of the Belfast pubs burnt down during the rioting of the 1970s.
- Tax fraud. This is thought to arise from the use of forged or illegally obtained tax exemption certificates by sub-contractors on building sites.
- Protection rackets. Business people are forced to pay "subscriptions" rather than risk having their operations disrupted by bombing or assassination of personnel.

New powers under the Northern Ireland (Emergency Provisions) Bill include those now empowering the courts to seize the assets of anyone who benefited terrorist-related activities.

Both the RUC and government officials claim that they have begun to stem the tide of terrorist funding as a result of raids carried out on a range of organisations alleged by officials to have been making significant contributions to the republican movement capable of being diverted to the IRA. However, not all the raids have been successful.

Fourteen months after being raided by the security forces, offices of Sinn Fein (the political wing of the Irish Republican Army), a Prisoners Welfare Committee, a charity called the Green Cross, and a Catholic taxi co-operative called West Belfast Taxi Insurance are still operating in republican west Belfast.

Their fund-raising activities on behalf of the families of political prisoners remain unobstructed by the security forces as do those of the New York offices of Noraid, which channels funds from the Irish-American community. The only common link admitted by all five organisations, is that *they are responsible for shouldering* part of the costs of the republican movement.

According to accounts registered with the US Department of Justice, Noraid has made deposits and payments through two banks in the US: Citibank and First Citizens. The accounts include receipts for the sale of promotional merchandise.

Green Cross says it has been a client for many years with Allied Irish Bank, while West Belfast Taxi Insurance says it banks with Northern Bank. Noraid, Sinn Fein, the Prisoners Welfare Committee, the Green Cross and West Belfast Taxi Insurance all deny financing the IRA, although Noraid is registered with the US Department of Justice as a foreign agent representing the Irish Republican Army. All four banks say they are not prepared to comment on accounts.

Documents seized so far have failed to provide evidence linking the fund raising of the organisations and terrorist activity, although the RUC and the Stormont unit claimed to have found evidence of false accounting in the case of one Belfast taxi association and several social clubs.

According to the RUC, several hundred thousand pounds has gone missing from the West Belfast Taxi Association.

The accusation of false accounting, however, is denied by Mr Jim Neeson, the organisation's chairman. He said: "I am 100 per cent confident that there is nothing in our books which in anyway would incriminate me."

He added that the 650 taxi drivers who belong to his organisation – many of whom were former political prisoners – paid an average of £2 per week each to the Green Cross which he described as a "charitable organisation", channel*ling funds to the families of* political prisoners.

The security forces, in their search for what may be much larger sums of money, are understood to be up against a complex system of money laundering by the IRA.

According to government officials, this is thought to involve front companies and the accounts of sympathisers or nominees which are not easily identifiable. They possibly extend to numerous banking jurisdictions both onshore and offshore, although both the RUC and Stormont admit they may still have some way to go before coming to grips with the IRA's complex financial structure. While the names of some of those close to the IRA's finance "command" – responsible for supervising the collection and distribution of funds within the organisation – may be known to intelligence, there is as yet no hard evidence to ensure a conviction.

Mr Alasdair Maclaughlin, a spokesman for the Northern Ireland Bankers' Association, says he has no information as to how many local banks have shared the experience of the Bank of Ireland which was presented with an extortion demand by the IRA for £2m last year – a demand that was rejected.

But he confirmed the practical difficulties faced by the authorities as they attempt to track more subtle forms of terrorist-based financial transactions involving the use of nominee directors for front-companies and money laundering. "It's bound to be difficult when you have the criminal fraternity, remarkably well qualified. They have brains which are trying to be ahead of the game... there are ways and means of getting into the system and laundering money."

Few companies will talk openly about the costs of protection rackets or their motives for not supplying the armed forces. The real costs of resisting terrorism is only slightly clearer. Economists believe that the government compensation fund (see chart) understates the costs of terrorist activity against commercial activities.

The issue of payments to terrorist organisations and the operation of contracts with the security forces is regarded as virtually taboo by the majority of the business community.

The Northern Ireland Building Federation refuses to discuss the issue in public. But one senior member of the Federation says that extortion has been on the increase since the beginning of 1991.

Money, meanwhile, paid out by the Northern Ireland Office in compensation to companies which have been victims of terrorism reached record levels last year and forced the government to freeze its public spending budget.

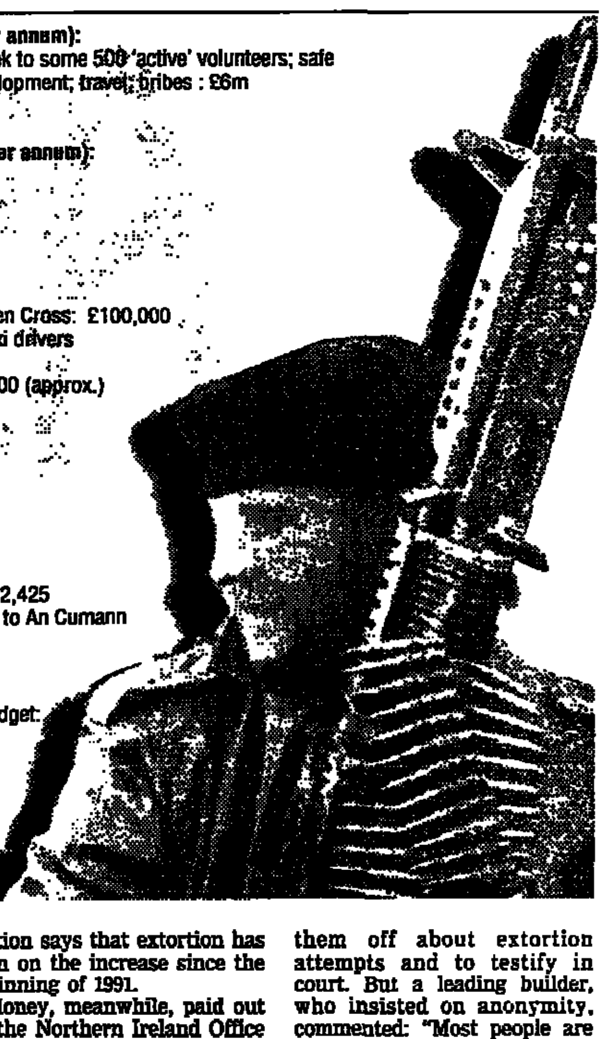
The government argues compensation is necessary if future investment is not to be deterred, but it has not succeeded in eradicating the fear felt by wide sectors of the business community.

Police are urging businesses to use their "helpline" to tip them off about extortion attempts and to testify in court. But a leading builder, who insisted on anonymity, commented: "Most people are unwilling to go to court unless they feel that the weight of evidence is such that the police can get a conviction and are quite certain that neither he, she, or their families would be put at risk. There are too many imponderables so there are people who do not take the risk."

He added: "The reality is that the IRA have the potential to kill and the security forces are unable to protect us."

Picture, Page 16

The finances of terrorism



Esimated running operational costs (per annum):
Includes average payment of £40 per week to some 500 'active' volunteers; safe houses; arms; military research and development; travel; bribes : £6m
Protestant paramilitaries: £2m

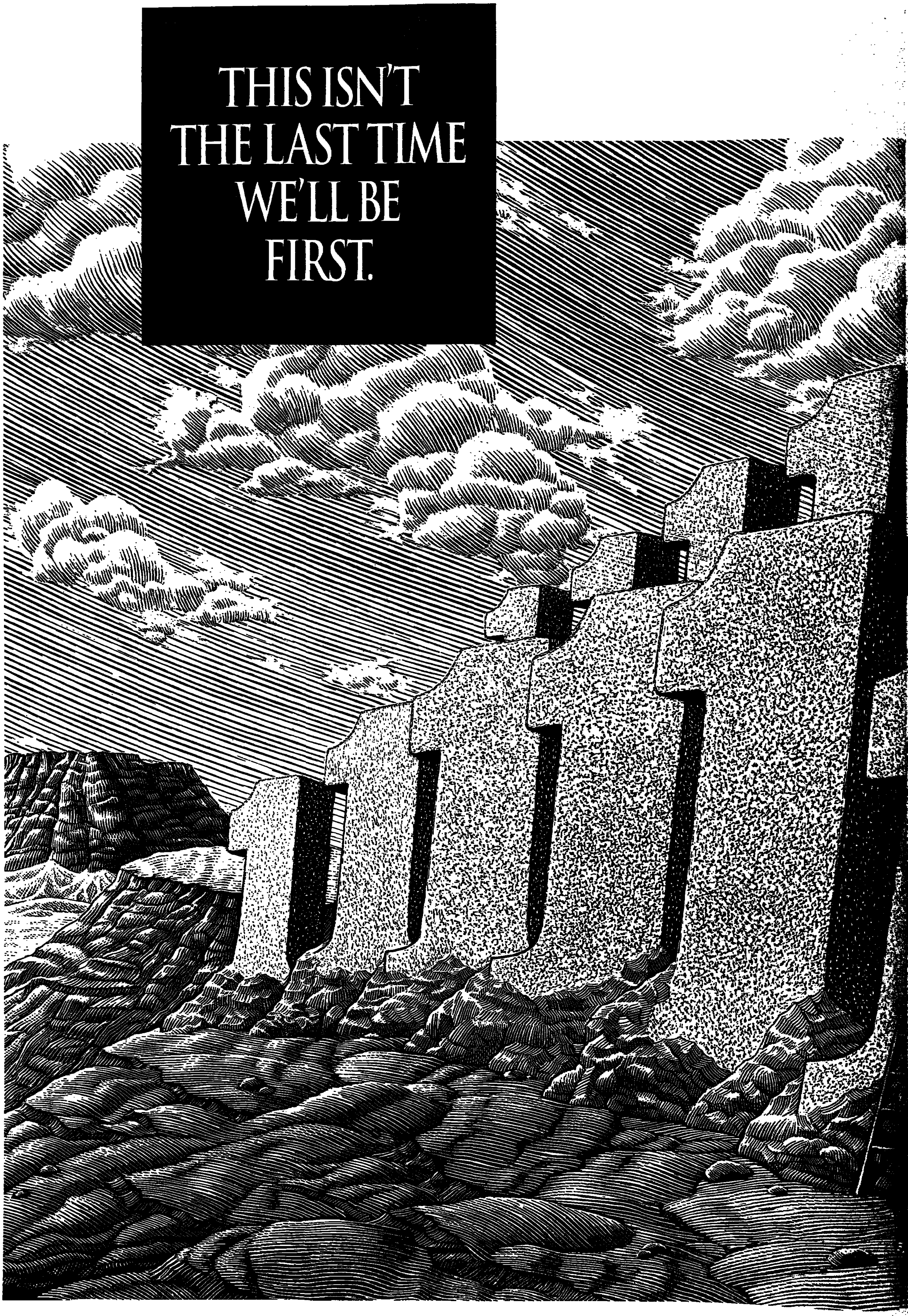
Major sources of alleged IRA income (per annum):
Taxis: £600,000
Drinking Clubs: £750,000
Protection and Extortion: £1.3m
Tax Fraud: £1m

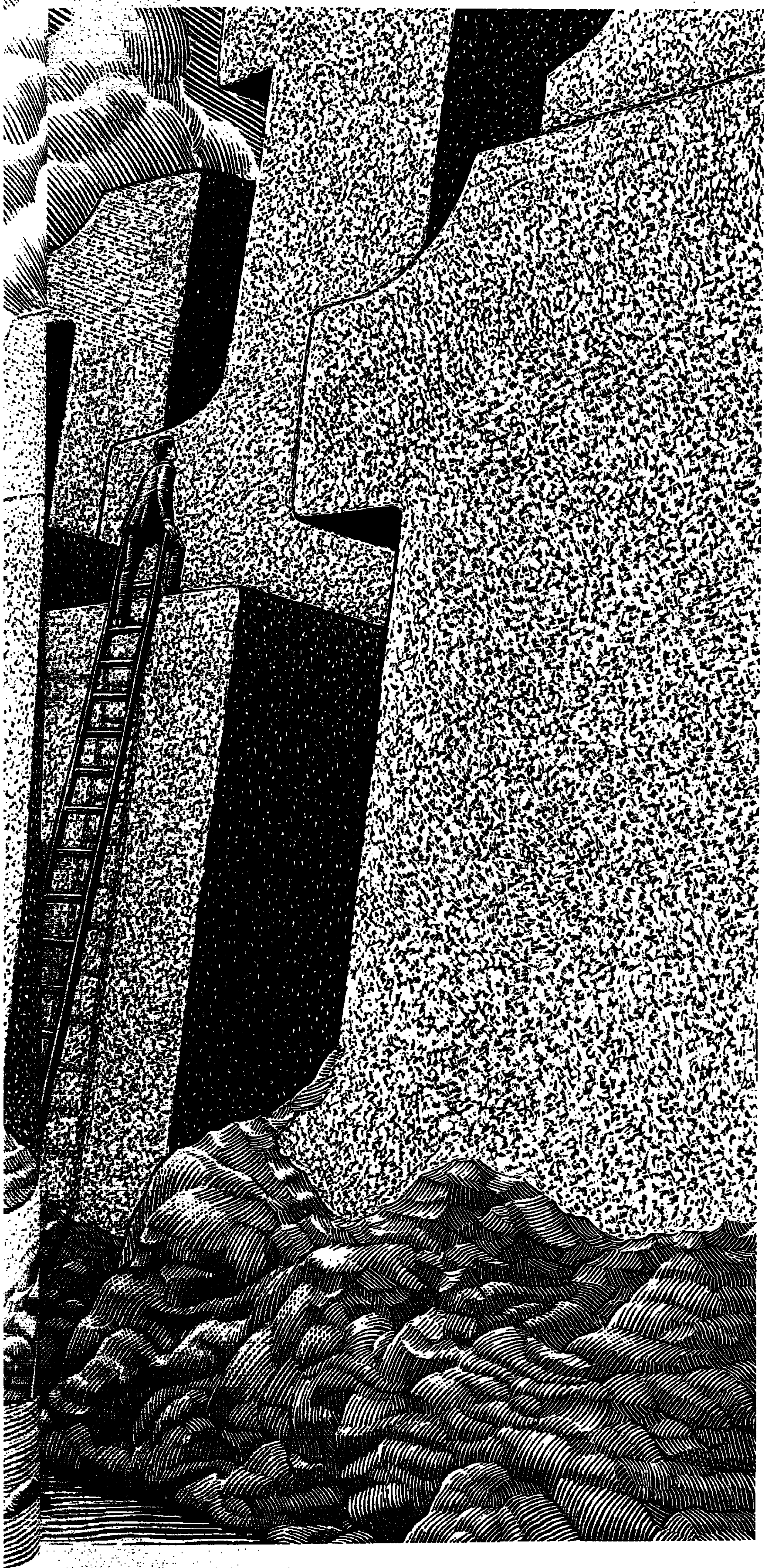
Other sources of Republican funds:
Contributions of 10 drinking clubs to Green Cross: £100,000
Declared contributions of West Belfast taxi drivers to Green Cross: £28,800 (approx.)
Declared income of Green Cross: £384,000 (approx.)
Declared income of Republican Prisoners Welfare Committee: £20,000

NORAID:
Aug 1987-Jan 1988 Income:
Contributions: $110,223
Merchandise sold: $55,764
Expenses: $180,077
Money sent to An Cumann Cabhrach: $62,425
August 1988 - January 1989: Money sent to An Cumann Cabhrach: $73,000

COSTS OF TERRORISM:
Government's business compensation budget:
1990/1: £22.5m
1991/2: £33.5m
TWO-YEAR TOTAL: £56m

(Sources: UK government departments; report by David Davis MP; US Department of Justice; Green Cross; West Belfast Taxi Insurance; Republican Prisoners Welfare Committee)


THIS ISN'T
THE LAST TIME
WE'LL BE
FIRST.



Now, Chemical Banking Corporation and Manufacturers Hanover Corporation are one.

The new holding company is Chemical Banking Corporation, with $139 billion in assets and $7.3 billion in shareholders' equity. Few competitors exceed our capital strength, which we will continue to build. Our financial strength and staying power are beyond doubt.

We were the first U.S. money-centre institutions to see the future and act on it, creating the kind of broad-based financial services company our customers need and the markets demand in the 1990s and beyond.

The new Chemical Banking Corporation is already first in key regional, national and global markets.

In the U.S. we rank first in primary banking relationships with American corporations. Through Texas Commerce Bancshares we are the number one financial institution serving Texas business.

Globally, our combined capabilities have propelled us to the top-tier ranking in international credit and capital markets. We are first in loan syndications and sales and LDC asset trading. We are also a leader in corporate finance, foreign exchange and derivative products.

In operating services such as cash management, funds transfer and global securities, no other institution will have more customers or so broad a range of high-tech product offerings.

Our merger also serves as the model for an industry; other U.S. financial institutions are now following our lead, and the consolidations needed to revitalise American banking are under way countrywide.

As our customers and competitors will soon learn, this is not the last time we'll be first.

CHEMICAL

TECHNOLOGY

■ Institut Mérieux is an archetypal French pharmaceutical company, with its complex corporate structure and mixture of private and public ownership.

Rhône-Poulenc, the state-owned chemical group, directly owns 50.8 per cent of Institut Mérieux. It owns a further 43 per cent of Mérieux's human health care subsidiary, Pasteur Mérieux Serums et Vaccins, which includes Connaught, the Canadian vaccine company bought two years ago.

Therefore the French government's overall stake in the Mérieux vaccine business is 72 per cent. Rhône-Poulenc makes itself felt through the presence of Igor Landau, the group's health care director, on the Institut Mérieux board. It has to approve all strategic decisions such as mergers and acquisitions.

The founding family now owns only 17.7 per cent of Institut Mérieux but executive control remains in its hands. Marcel Mérieux, a student of Louis Pasteur, started the business in 1897 and handed it on to his son Charles in 1937. Since 1967 the company has been run by Marcel's grandson Alain.

At the age of 85, Charles remains honorary chairman and stays in close touch with developments through daily telephone conversations with his son. "My father gives me a booster call every morning, wherever I am in the world," Alain says.

Charles Mérieux makes no secret of his hope that Alain's son Christophe, who qualifies as a doctor this year, will take over in due course. Alain is more circumspect when asked about the succession and insists that it will not be up to him.

However, Alain Mérieux also believes that the combination of family tradition with Rhône-Poulenc's majority ownership gives the company long-term stability. "We have no risk of takeover and can devote our efforts to biology. It is clear that we need to become more profitable but we are not forced to emphasise profitability in the short term".

Clive Cookson examines how drug companies are coming closer to developing an all-in-one vaccine

Shot in the arm boosts profits

A researcher at Institut Mérieux inspects an experimental vaccine

Vaccine production, for long a sleepy sideline of the pharmaceutical industry, is being rejuvenated through a combination of new technology and corporate restructuring.

With the help of biotechnology, researchers are developing vaccines for diseases against which there is no protection today, from malaria to Aids. At the same time they are working to combine existing vaccines and ultimately achieve the World Health Organisation's goal of an "ideal children's vaccine" which would deliver immunity against all serious childhood illnesses in a single dose shortly after birth.

The corporate background to vaccine development is changing as fast as the science, through mergers and alliances which are transforming a patchwork of national vaccine companies into a handful of global players.

The most important event was the $785m (£430m) takeover of Connaught of Canada by Institut Mérieux of France at the end of 1989. That boosted Mérieux's worldwide vaccine sales to $300m a year – well ahead of its three leading competitors, Lederle (Cyanamid) and Merck of the US, and SmithKline Beecham whose vaccine business is based in Belgium. Together the top four companies account for half of the $1.3bn a year world vaccines market.

Meanwhile the single-country vaccine companies are gradually selling out. For example, Wellcome sold its century-old UK vaccine business to Medeva for £20m at the beginning of this year, making Medeva the country's only commercial vaccine producer.

The next moves on the world stage are likely to be strategic alliances between the leading companies. Mérieux and Merck recently signed a letter of intent to co-operate on developing and marketing combined childhood vaccines for the US market and they are waiting for the Federal Trade Commission to approve the agreement.

"If we get the green light from the FTC, I'm convinced we will then go further with Merck," says Alain Mérieux, chief executive of the French company. And there is speculation in the pharmaceutical industry that Lederle and SmithKline Beecham are planning a vaccines alliance to balance the link-up between Mérieux and Merck.

The primary reason for these alliances, according to Alain Mérieux, is that "the future lies in combined vaccines with multiple antigens". (Antigens are the proteins produced by viruses and bacteria which stimulate the immune system to make protective antibodies.) No single company has enough antigens to make a good all-in-one vaccine on its own.

Two triple childhood vaccines are already used routinely: DTP against diphtheria, tetanus and pertussis (whooping cough) and MMR against measles, mumps and rubella. Jacques Armand, Mérieux's vaccine development and production director, says it will be feasible within two years to expand DTP into a six-fold vaccine, by adding polio, hepatitis B and haemophilus influenzae b (the latter is a relatively new vaccine which protects against a common form of bacterial meningitis).

Researchers are developing methods for combining vaccines in a stable mixture. "If there is incompatibility between ingredients, we could use a dual-barrelled syringe in which some ingredients are kept separate in two compartments," Armand adds.

A more serious obstacle to combining childhood vaccines is that the current strains need to be given at different ages to provoke the best immune response. It would be impossible for example to add the current measles vaccine – given at 12 to 15 months – to DTP which is generally given in three doses at two, three and four months. So the search is on for new strains that will confer immunity soon after birth.

In the long run, the best hope for a multiple vaccine may lie in genetic engineering. The favourite approach is to add antigen genes from several different germs to a single "Christmas tree" micro-organism. Most researchers are using viruses of the pox family, which contain large amounts of genetic material and are therefore attractive targets for genetic manipulation. They also have a long history as vaccines; the successful WHO campaign to eradicate smallpox was based on vaccination with cowpox (vaccinia).

Mérieux researchers have chosen canary pox, which normally infects birds, as their Christmas tree. They have already carried out clinical trials of a new rabies vaccine, made from canary pox genetically engineered to incorporate rabies antigens.

Animal tests show that a genetically engineered pox vaccine can induce immunity against several diseases, though the approach is unlikely to produce a commercial human vaccine for several years. "A few years ago this was just a dream, now it's at least part of the way towards reality," says Armand.

Multiple vaccines will help the WHO and Unicef (the United Nations Children's Fund) to achieve their goal of universal childhood vaccination. Already 80 per cent of the world's children have been immunised against six leading childhood diseases – measles, diphtheria, whooping cough, tetanus, polio and tuberculosis – compared with only 10 per cent a decade ago. This has required health workers to make five separate visits and administer eight doses of vaccine to each child. Combining them into a one-shot vaccine would bring operational advantages not only to hard-pressed health workers in the third world but to parents in developed countries who sometimes lose track of their children's vaccination schedule.

Although the first priority is to improve and combine existing vaccines, "new vaccines are a close second priority," says Hiroshi Nakajima, WHO director-general. Only about 20 diseases have commercially available vaccines. There are none yet for many diseases that cause widespread death, including dengue, rotavirus diarrhoea, hepatitis A and E, acute respiratory infections, meningococcal meningitis, malaria and Aids.

Charles Mérieux, honorary chairman of Institut Mérieux, believes Aids and malaria are the two greatest challenges facing the industry. "An Aids vaccine is the most exciting scientific challenge and malaria is most important for helping people," he says. The worldwide effort to produce a vaccine against malaria – which kills about 2m people a year, mostly African children – will be successful within five years, Mérieux believes.

Although genetic engineering plays a vital role in making new vaccines, "there is still plenty of juice left in classical vaccine development," says Stanley Plotkin, Mérieux medical and scientific director. "All the different approaches to an Aids vaccine depend on genetic engineering, but it doesn't play much of a role in hepatitis A, for example."

Non-genetic techniques will also improve existing vaccines. WHO is particularly keen on micro-encapsulation, a new delivery system based on tiny biodegradable capsules which release vaccine slowly into the bloodstream in a way that mimics repeated injections.

In the industrialised world, a priority is to produce a new whooping cough vaccine. The existing one is more likely to provoke damaging side-effects than any other childhood vaccine. Manufacturers are therefore anxious to replace the current vaccine, which is based on whole cells of the pertussis bacteria, with an "acellular" vaccine containing the most important antigens.

Although an acellular pertussis vaccine is used routinely in Japan, western health authorities do not like it because it cannot be administered until the child is two years old. Large-scale field trials of acellular vaccines suitable for babies are expected to start in Sweden this year.

Confessions of a magazine junkie

By Paul Taylor

I have a confession to make. I am a computer magazine addict. Fortunately for me, if not my bank manager, publishers seem hell bent on satisfying my craving.

At the latest count my local W.H. Smith had no less than 39 computer magazines on its shelves including 10 samples of what I describe as the PC generic magazines which cover the IBM PC compatible market.

By a rough calculation to buy all 10 generic titles each month would cost £16.93 or £203.16 a year – or about half the cost of a basic Amstrad PC. Indeed the most blindingly obvious trend played out in the advertising pages of the computer press is the inexorable decline in PC hardware prices and the parallel surge in performance. If you bought a PC a year ago you could now either buy the same for half the price or get twice the performance and speed for the same price.

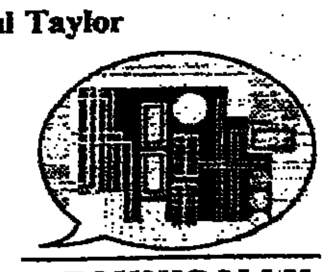
What passed a year ago for an acceptable entry-level machine, say a computer based on Intel's 80286 chip running at 12Mhz with 1 megabyte of Ram and a 20Mb hard disc, now looks sluggish and small.

However, although hardware prices are plunging, they are not falling by as much as most manufacturers/assemblers in the computer magazines' advertising pages would have us all believe. Computer manufacturers insist on advertising their products exclusive of Value Added Tax. Thus what appears to be a system costing £1,500 will actually cost £1,762.5 for customers except those – like businesses – who can reclaim the Vat.

There are one or two honourable exceptions, like mail order supplier Eversham Micros, which list both the Vat exclusive and inclusive prices, but most advertisers appear determined to disguise if not mislead. Often the words "plus Vat" only appear in the small type at the foot of the page.

Perhaps there is nothing to be done about such sales tactics. However there seems little excuse for computer magazines which perpetuate such myths by quoting Vat exclusive prices in their editorial copy.

One example among many comes from the December PC Plus. An article entitled "How Much Power Can £1,500 Buy?" proceeds to list and evaluate 11 machines with nominal price tags of less than £1,500. However, once Vat is added on all but one of the machines would cost more than £1,500, and the magazine's "recommended" system, the Elonex PC-420X, would cost £1,733.12 in the configuration tested.



TECHNICALLY SPEAKING

An annoying feature of PC advertising is a growing tendency to strip what is on offer down to the minimum specification. Some advertisers claim this is to give the buyer the maximum choice, assuming that they want, or have the patience, to plough through columns of figures and options to "build" a working system. A cynic might argue such tricks are actually designed to make the "headline" price seem as small as possible.

Some manufacturers advertise PC systems "from £X". Often this price does not include a screen or a hard disc – without which the machine is functionally useless – let alone sufficient power and storage for today's software.

Some magazines make an attempt to overcome price comparison problems by specifying "standard" or "target" systems in their listings, usually at the back of the magazine. But these listings, helpful though they are, can have drawbacks. Because prices and specifications are changing so quickly, they are often out of date by the time the magazine is printed, and they do not always include cheaper machines assembled by smaller direct sales companies.

Deciding which PC to buy based on advertisments in the computer press is a difficult business – but "window shopping" through the pages can still be a useful experience.

BUSINESS FOR SALE ARE CONTINUED ON PAGES 11 AND 12

MANAGEMENT: The Growing Business

When British is best

The British banks, subject to much criticism for their treatment of small firms in recent months, score better than their German counterparts in a new comparison of bank charges in the two countries.

The British banks won by four points to three in a survey carried out by Small Business Perspective, a new bi-monthly newsletter.*

Most British banks publish their tariffs while in Germany, tariffs are generally only made known to private, but not to business customers, the newsletter notes. The situation in Germany is beginning to change, however.

The British banks also do well on deposit account rates, offering instant access accounts with interest rates varying between 6.75 per cent and 7.825 per cent for sums over £5,000. The German banks offer only 0.5 per cent to 3 per cent on deposits of DM20,000 (£7,000) and more. All rates were calculated at the beginning of December.

In two other areas, German banks rate more highly. Their standing charges are usually lower, generally less than DM2.90 (£1) compared with £2.50 to £5 from most UK banks. Their charges for credit entries and cheques are also lower at 35pfg to 60pfg per item (12p to 20p), compared with 60p to 74p in the UK.

In a separate survey of banking services in France, Germany and the UK, carried out by Bossard Consultants and reported in the newsletter, German companies emerged as having longer term relationships with their banks.

Fewer German firms had ended a banking relationship in the past three years than was the case in the UK or France.

Thirty per cent of British companies had a business relationship with a subsidiary of a foreign bank compared with 23 per cent in France and 17 per cent in Germany.

*From Graham Bannock and Partners, 53 Clarewood Court, Crawford Street, London W1E 1AL. £30 per annum.

Charles Batchelor

Back to basics for the key to survival

Charles Batchelor on big issues facing small firms

The new year has started on a sombre note for Britain's smaller companies. There will be little respite, in the first few months at least, from the continuing battle to withstand the pressures of the recession.

Even if the economy starts to improve, the likelihood is that failure rates will continue to rise for a further 12 to 18 months.

For some firms, an upturn in their order books may just make matters worse. Financing new orders could prove the last straw for overstretched businesses. The first rule for 1992 will, therefore, be to keep a close eye on cash flow.

Businesses will need to review every step in their sales and production cycle to see if the time taken can be reduced, if each stage could be started earlier or the system reorganised to limit the amount of money tied up.

Success, or survival, will depend very much on this return to the basics but prospects for the small firms sector are also subject to other influences.

Government policies, the activities of business support organisations and the effectiveness of the small business lobby groups all play their part.

The key issues which will determine the prosperity of the small firms sector in 1992 and beyond are:

● The attitude of the banks. Many of the large banks have produced "business charters" intended to lay down clear guidelines for their dealings with business clients.

But suspicions still remain among small business organisations about the degree to which the banks have changed their attitudes.

The large provisions which the banks have made on loan losses have made them tighten up on their lending policies.

Just how the banks will reconcile the need to avoid losses with their desire to present a more kindly face to their small business customers has yet to be revealed.

The next 12 months will show whether they are capable of establishing a new relationship.

● Government-backed schemes to channel funds to small businesses. Several small firms' lobby groups have been lobbying for the creation of a special fund to provide low-cost, long-term loans to smaller businesses.

The lobbyists believe government is now more positive about their proposals and they hope for action in the Conservative party's election manifesto.

Traditionally, however, the government has been sceptical of any special form of small business finance and there have been no official signals of a change of heart. Meanwhile, the Loan Guarantee Scheme, which guarantees most of the risk of a bank loan to businesses which cannot meet normal security criteria, is undergoing review.

The guarantee scheme has not turned out to be a particularly popular means by which small firms raise finance. Nor is it a source of cheap funding. The cost of the guarantee means it is usually more expensive than a normal bank loan.

● Government policy on late payments. The past year has seen growing pressure from credit rating groups, debt collection agencies and the banks for action on the late payments question.

Small firms in the UK wait on average 81 days to be paid, far longer than their counterparts elsewhere in Europe.

The government has for many years resisted a change in the law but its attempts at exhortation have clearly failed. The clamour for legislative action, or for a change in court procedures for the collection of debt, is increasing.

● The administration of VAT. Dealing with VAT is a significant burden for many businesses and the penalties for making a mistake – let alone deliberate attempts to avoid payment – are severe.

Customs & Excise is currently reviewing suggestions for an easing of its "serious misdeclaration" penalty and business and accountancy organisations hope a less draconian regime will emerge later this year.

A second VAT issue with important implications for business is the decision to decentralise the handling of routine queries to regional VAT offices. Customs believes this will speed up the process of providing answers but some business organisations fear it will lead to less consistency.

The effects of decentralisation will show through as the year progresses.

● Training and Enterprise Councils and chambers of commerce. These two important providers of business support services are both at cross-roads.

Many of the TECs are still struggling to get established and to devise an effective network of small business support in their area.

They face the prospect of further upheaval later this year when the civil servants who make up the bulk of the staff in many TECs decide whether to opt for the private sector terms and conditions being offered by the TECs or whether to move back into another civil service department. If too many leave, the ability of the TECs to provide services will be hit.

Whatever happens to civil service staffers, many of the TECs will have to readjust their approach to take into account the realities of their local economies and of travel-to-work areas, rather than the administrative boundaries on which they are based.

Some TECs are already starting to work together but many more will need to do so if they are to provide a useful response to local and regional needs.

One existing business support network with which the TECs will need to co-operate is the chambers of commerce. Talks are already under way between the two groups. But the chambers themselves are also on the threshold of change as they beef themselves up to provide a more effective service to the business community. How successful they are remains to be seen.

● Quality. Businesses will have to decide whether they need to register for the British quality assurance standard BS5750. Some firms will have no choice because large companies are starting to insist that all their suppliers conform to BS5750.

Registering to this standard can be costly and time-consuming while the benefits only show through over the medium to long term. There is some pressure for a simplified version to be devised for the very small business but many companies will simply have to grit their teeth.

● Finally, 1992 itself – the year of the single European market. In fact, the barriers are not due to come down until December 31 and many may take well into 1993 to be dismantled. Surveys indicate that many smaller British companies have still not realised the likely implications of the single market for them.

No one can predict with any degree of accuracy what a single market will do for many of the sectors, such as services, where small firms are particularly active.

But there are few areas of business life which have not already been touched by one European Community directive or another.

Even those companies which have decided that there is nothing they can do to prepare themselves in advance need to keep a close eye on the single market as it develops. Staying close to their customers, their suppliers and their competitors is likely to give them an earlier indication of change than any formal sources of advice.

In a Nutshell

The right time to go it alone

Only 4 per cent of small business owners would advise others thinking of starting a firm not to do so, according to research carried out for National Westminster Bank.

The most popular advice from the more than 800 small businesses up to two years old who were polled was: check carefully, do your homework and get expert advice. Eight per cent of those questioned advised against starting up with too little capital.

Asked for the biggest hurdle they had to jump, one in five small business owners cited sustaining and monitoring cash flow while one in six reported it had been finding the original finance.

Employment issues to the fore

Employment issues were the most frequent reason for calls to the legal helpline run by the Federation of Small Businesses (FSB).

They accounted for 21 per cent of calls made to the federation in the year ended September and were followed by questions concerning contracts, which made up 19 per cent.

The total number of calls rose by 30 per cent to 22,150. Litigation issues were the third most common question raised, accounting for nearly 8 per cent of calls.

FSB Tel. 071 928 9272.

New fund will back MBOs

Foreign & Colonial Ventures plans to raise a £50m fund to back management buy-outs. F&C has already raised £20m from British, Japanese and US institutional investors towards what will be its fourth fund, F&C Ventures Limited Partnership II.

Over the past 10 years F&C Ventures made 69 buy-out or development capital investments, of which 39 have either obtained a public listing or been sold at a profit. The annual return achieved on these investments was 27 per cent, it said.

Technology club is formed

Manchester Business School (MBS) plans to launch a Technology Club to bring companies together to find solutions to their technological problems.

The club will consist initially of businesses which attended a series of technology awareness seminars at the school but will be extended to take in other companies in Greater Manchester which have registered for BS5750, the quality assurance standard.

Contact Cy Keogh or Tania Brown at MBS Tel. 061 275 6537.

Agencies move to lobby EC

Regional development agencies from around Europe have formed the European Association of Development Agencies (EURADA) to influence the European Communities policies on small business and regional development.

Eighty agencies are expected to become members of the association which was launched at a meeting in Brussels last month. Four UK agencies – Greater London Enterprise (GLE), West Midlands Enterprise Board, Lancashire Enterprise and Highlands and Islands Enterprise – are among the founding members.

The agencies believe that the community's small firms policies need to be better focused.

Low sales pose big headaches

Low sales and a lack of business is the most important problem facing small firms, according to the latest NatWest Quarterly Survey of Small Business.*

Forty per cent of small firms identified this issue, the largest proportion ever to agree on a single concern, and an indication of the depth of the recession, NatWest said.

From School of Management, Open University, Walton Hall, Milton Keynes, MK7 6AA. Tel. 0908 655831. £15 each or £45 annual subscription.

Touche Ross

120 Bed Nursing Home Bury, Lancashire

The Joint Administrative Receivers, K. S. Chalk and G. J. Watts, offer for sale the business and assets of Billerfield Limited, which comprise:

- ☐ 120 bed quality purpose built nursing home completed and opened in September 1991.
- ☐ Adjacent to Bury General Hospital.
- ☐ One wing completely operational with 85% occupancy.
- ☐ Enthusiastic and skilled nursing team, professionally managed.
- ☐ Potential annual turnover of £1.5 million.

For further details please contact Kenneth Chalk or David Handley at the address below:

PO Box 500, Abbey House, 74 Mosley Street, Manchester M60 2AT.
Tel: 061 228 3456. Fax: 061 228 2681.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

The D Tuson Group of Companies

The Joint Administrative Receivers offer for sale as a going concern the businesses and assets of D Tuson (Motors) Limited and Tuson Self Drive Limited.

Principal features include:

- Two Ford Franchise dealerships and one non-franchise showroom with £15 million annual turnover.
- Modern purpose built fully eqipped freehold premises of approximately 25,800 square feet on three sites totalling approximately 6 acres.
- Includes filling station retailing 650,000 gallons annually.
- Car hire fleet of 70 vehicles.
- Premises conveniently situated with good motorway access in Glossop, Hyde and Chapel en le Frith.
- Approximately 40 employees.

For further details contact the Joint Administrative Receivers, Philip Ramsbottom or Roger Smith, KPMG Peat Marwick, 7 Tib Lane, Manchester M2 6DS. Tel: 061 832 4221. Fax: 061 832 7265. Telex: 668265 PMMMAN G.

KPMG Corporate Recovery

Touche Ross

Stepfind Limited
(In Administrative Receivership)

The Joint Administrative Receivers, Ralph S. Preece and Gurpal S. Johal, offer for sale the goodwill and assets of four nursing homes based in the North of England.

The main features are:

- ☐ Four nursing homes with registrations for 70, 52, 41 and 34 beds.
- ☐ Modern facilities, fully equipped, comprising primarily single and double rooms.
- ☐ 24 hour RGN/RMN staffing.
- ☐ Currently fully occupied.

For further details, please contact Ralph S. Preece or Paul A. Whitwam at the address below.

10 – 12 East Parade, Leeds LS1 2AJ.
Tel: 0532 439021. Fax: 0532 448942.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

South Wales Bus Company

The Joint Administrative Receivers offer for sale as a going concern the assets and trade of National Welsh Omnibus Services Limited.

The Company currently operates some 300 stage carriage and private hire vehicles from six main depots in Mid and South Glamorgan.

Principal features include:

- Valuable property portfolio
- De-centralised operating units
- Skilled and motivated workforce
- Continental and Express services
- Well networked local routes.

For further information contact the Joint Administrative Receivers, Barry Mitchell or Barry Jones, KPMG Peat Marwick, Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TE. Tel: (0222) 462463. Fax: (0222) 481605

KPMG Corporate Recovery

Ford Motor Dealership

The Administrative Receivers offer for sale the business and assets of Cactushope Ltd., T/A King Ford, Skelmersdale. Principal features include:

- *Main Ford dealer for Skelmersdale area*
- *Turnover approximately £10m*
- *Freehold site of five acres comprising 24 hour petrol forecourt (no tie agreement) shop and car wash*
- *Fully equipped workshop and "Rapid Fit" Centre*
- *Large covered used motor vehicle area with offices*
- *Fully secured vehicle compound*
- *Large separate leasehold body shop (fully equipped) 28 bays*
- *All staff trained by Ford.*

For further details please write to the Joint Administrative Receivers F.W. Taylor and D. Bailey, Ernst & Young, Silkhouse Court, Tithebarn Street, Liverpool L2 2LE. Fax: 051-236 0258.

ERNST & YOUNG

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BRITISH INTERNATIONAL HELICOPTERS LTD
(IN ADMINISTRATION)

The Joint Administrators offer for sale the business and assets of British International Helicopters Limited. The Company's main business units comprise:

- Helicopter Services in the UK sector of the North Sea from bases in Aberdeen, Shetland Isles and Suffolk
- Military aviation maintenance work
- Civil aviation maintenance facility in Humberside
- Scheduled passenger helicopter service between Penzance and Scilly Isles
- Pilot training

Principal features include:

- Helicopter fleet of 25
- T/O circ £45m
- 485 employees

For further information please contact Iain Watters or Alan Scott:
Arthur Andersen & Co.
18 Charlotte Square
Edinburgh EH2 4DF
Tel: 031-225 4554

Arthur Andersen & Co. is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ARTHUR ANDERSEN

CLIVE WOOD LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

The Joint Administrative Receivers offer for sale the business and assets of an established steel construction company.

- Specialists in steel erection and fabrication work
- Occupies freehold premises at Gallowfields Industrial Estate, Richmond, North Yorkshire
- Annual turnover approaching £1.5 million
- Current order book approximately £65,000

For further information please contact Alan Katz or Linda Manning:
Arthur Andersen & Co.
St Paul's House
Leeds LS1 2PJ
Tel: 0532-438222
Fax No. 0532-416397

Arthur Andersen & Co. is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ARTHUR ANDERSEN

Contour Packaging Limited
(In administrative receivership)

The Joint Administrative Receivers offer for sale the business and assets of this established company.

- Paper Sack and Flexible Packaging – Manufacturing, Conversion and Merchanting.
- Prestigious customer base.
- Annual turnover c. £1.5 million.
- Strong technical and sales backup.
- Skill based workforce.
- Leasehold premises – Uxbridge.

For further information please contact the Joint Administrative Receivers
Vivian M Bairstow and Ipe Jacob

ROBSON RHODES

186 City Road, London EC1V 2NU
Telephone: 071-251 1644 Telex: 885734 Fax: 071-253 4629
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

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Touche Ross

Cobalt (UK) Limited
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The Joint Administrative Receivers, A. P. Peters and J. B. Atkinson, offer for sale the business and assets of the above company as follows:

- ☐ Star Rider national motorcycle training network, operating from some 150 centres in the UK.
- ☐ Employment training and employment action schemes, operating from Coventry, Dunbarton, Glasgow, Liverpool and London.
- ☐ Loft insulation and draught proofing business funded by Energy Action Grants Agency, operating from Coatbridge, Airdrie.
- ☐ Turnover in last financial year approx. £6m.

For further information please contact the Joint Administrative Receiver, A. P. Peters or P. D'Arcy at the address below.

Newater House, 11 Newhall Street, Birmingham B3 3NY.
Tel: 021 631 2288. Fax: 021 236 1513.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Touche Ross

Sportswear Retailer/Mail Order Supplier
(In Receivership)

The Joint Administrative Receivers, L. K. Denney and N. J. Dargan, offer for sale the assets of Valuetorch Limited based in the East Midlands, which comprise:

- ☐ Mail order division.
- ☐ Leasehold retail premises.
- ☐ Stock.
- ☐ Freehold warehouse premises.

Further information can be obtained from L. K. Denney or Ian Stanton either by telephoning 0602 500511 or by writing to:

1 Woodborough Road, Nottingham NG1 3FG.
Tel: 0602 500511. Fax: 0602 590979.

DRT International

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Nursing Homes

The Joint Receivers offer for sale the business and assets of the following nursing homes based in North Yorkshire

Threshfield Court Nursing Care

- currently registered for 75 residents
- outline approval has been granted by the Airedale Health Authority for the registration to be increased to 91 beds
- current occupancy of 56 beds
- planning permission has been granted for an additional 31 bed extension to be built
- the nursing home and grounds occupy a 2.2 acre freehold site

Prospect House Nursing Care

- registered for 62 residents
- current occupancy of 52 beds
- additional partially-built independence unit adjacent to the nursing home represents potential to expand
- occupies a 1.1 acre freehold site

For further details please contact the Joint Receivers, E. Klempka and M.J. Moore, Cork Gully, Albion Court, 5 Albion Place, Leeds LS1 6JP Tel: 0532 457332 Fax: 0532 434567

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The Joint Administrative Receivers, C J Hughes and I D B Bond, offer for sale the combined business assets of the following two companies which have substantial trading links with each other:

Malenco Limited (In Receivership)

- Substantial Flooring and Display Equipment Contracts
- Approximate Annual Sales £1.5 million
- CAM sheet metal equipment
- 30 employees
- Long Leasehold Property

Epsom Display Limited (In Receivership)

- Major Financial Services Industry Contracts
- Approximate annual sales £3 million
- 35 Full time employees, 50 casual employees
- Blue Chip Customer Base
- Prestigious Freehold Trading Property at Winsford
- CAD Equipment

For further information in the first instance contact S.J. Hook Tel 071 212 6055 or 071 212 8112, Cork Gully, Shelley House, 3 Noble Street, London, EC2V 7DQ Tel 071 606 7700 Fax 071 606 9887

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Principles only please write to Box H9411, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS FOR SALE

ALSO APPEARS ON PAGES 10 AND 11

Lonaven Limited t/a James Robertson & Sons (Fleetwood)
(In Receivership)

Fleetwood, Lancashire

The company specialises in marine engineering and the manufacture of deck machinery.

- Freehold premises 20,000 sq ft
- Annual turnover £1.5m
- Skilled workforce
- Prestigious customer list

For further details please contact the Joint Administrative Receivers: David Rowlands or Allan Griffiths, Grant Thornton, 20 Winckley Square, Preston PR1 3JJ.
Tel: 0772 53883.
Fax: 0772 202620.

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ARTS

The Nutcracker

ROYAL FESTIVAL HALL AND COVENT GARDEN

The New Year always begins in these columns with *The Nutcracker*, and like a galley-slave at ease with his shackles, I find a nostalgic familiarity in the routine of excited tots in the audience, drifting snow-flakes on stage, and the ring of the celesta as the Sugar Plum Fairy appears. This year there have been a couple of vivid interpretations to banish the doldrums I associate with a role that is usually a drag rather than a *dragée*. The Sugar Plum Fairy's assignment amounts to little more than a pas de deux – but how much more that little can seem when cast with a true ballerina. Thus it was when Ludmila Semenyaka led English National Ballet's performance on Thursday afternoon, and when Darcey Bussell appeared with the Royal Ballet on Friday night.

I saw Semenyaka in *The Nutcracker* at her Paris debut with the Bolshoy Ballet in 1973. Then, the exquisite purity of her Kirov training, made the dance seem so fresh, so pure, that one might have been seeing the ballet and hearing the music for the first time. Today, her style remains unflawed, crystalline, yet every least moment is now imbued with a noble authority, that rarest of dance blessings. Like Markova – great original of this role for Western audiences – she appears as a child's dream of a fairy, infinitely gracious and charming, made of spun sugar, magical. But there is a dignity, an inevitability of style, that sharpens and focusses the lines of the choreography. So the glorious adagio pours out its descending scales, and in Semenyaka's dancing we see a no less heart-stirring grandeur. In the celesta variation, the precision of her phrasing, the delicate radiance of her personality, born of the music, are impeccable. It is exemplary classical artistry.

I hold little brief for ENB's staging, which is strongly orientated towards a youthful audience – vulgar slapstick in the party scene; epidemic winsomeness in the Kingdom of Sweets – but anything is bearable when Semenyaka and her cavalier, the Cuban dancer Carlos Acosta, are on stage. Acosta is a new and excellent recruit to ENB's impressive roster of male dancers. Only 20 years old, he has a technique already powerful, well schooled, well rounded, and he is a fine partner. His personality is wholly engaging: he possesses a *joie de danser* that illuminates everything he does. The dance looks happy.

At Covent Garden, Peter Wright's *Nutcracker* redresses every error of the ENB production. The Christmas party has genuine gaiety as well as good manners; the wonders of transformations and the drama of the mouse-battle are imaginatively shown; the ensemble playing – from company and students – is beautifully judged. *The Nutcracker*'s genius lies both in its score and in its Ivanov choreography. On Friday night the patterns of the snowflakes's waltz were ravishing, and in the grand pas de deux, Darcey Bussell displayed a bewitching sincerity. Lovely the way she took the stage, setting out the movement so lucidly that it looked newly made for her. Her partner, Zoltan Solymosi, was attentive, eager to dazzle us in his variation, but it was Bussell's generous dancing and her unaffected grace that gave the duet its effulgence. From Stephen Wicks as Drosselmeyer, from Iain Webb as the Nutcracker, from the entire cast, excellent performances.

Clement Crisp

Patronage should be appreciated

William Packer visits Christie's and Sotheby's January exhibitions

Each January in what is the close season in the salerooms, Sotheby's and Christie's make over their empty galleries to a worthy cause. This time the beneficiary at Christie's (King Street, St James's SW1, until January 24) is the National Art Collections Fund which, since the beginning of the century, has been raising money entirely by private subscription to help our national collections acquire those objects and works of art that are their *raison d'être*.

Since the passage of such things supplies the host's own *raison d'être*, such help treads the nicest line between disinterest and natural sympathy. But it cannot be emphasised too strongly that the NACF, in these straitened and philistine times, needs all the help it can get.

Yet with *The New Patrons*, (sponsored by Nuclear Electric, with help in kind from Momart and Lowndes Lambert Cargo), rather than blow its own trumpet, the NACF has chosen to make the further point: that true patronage is never the preserve of the public body. The best support the artist can be offered is the most direct: the commission or purchase of his work, not out of any sense of public duty but rather for immediate pleasure and appreciation it affords. Patronage and self-interest indeed march easily together.

The New Patrons of the title are those companies and corporations that have bought contemporary works or art for offices and boardrooms, for the enhancement, as the jargon has it, of the working environment. Not that the workers always appreciate this, but then a remark of the late David Donald, responsible for the development of the collection of Scottish art at Robert Fleming Holdings, the best such in private hands, should be remembered. He said that complaints were usual at first but it was best to ignore them, for they would be fiercer when the time came for a rehang and the work's removal. My own experience here at the *Financial Times*, bears out the truth of it.

The fact is that it is both a joy and a privilege to live and work, not with the shadow and reproduction of a work of art, but with the thing itself. But privilege has its duties, and works of art require time and attention if they are to give up their secrets. That attention need not be direct, indeed is likely to be the deeper for being subconscious. I doubt that any of the companies represented in this exhibition, or those many more that would willingly have taken part had there been room, once committed to a collection has had the least reservation or regret.

Each collection has its own reason, its founding purpose, its rationale. Many were born of the plausible excuse, argued significantly often by a single enthusiastic chairman or director – Lord Croft at De Beers', Lord Drogheda at the *FT*, Cob Stenham at Unilever, Mr Donald at Flemings – of a new building to furnish and decorate. Some grew out of personal and family interests – Baring Brothers; some were put together almost at once with the professional advice of the Contemporary Art Society – Unilever, De Beer's; some grew slowly and are now largely static – the *FT*; some continue spectacularly to grow – Flemings; some are barely begun – InterCity. There is no pattern, nor should there be.

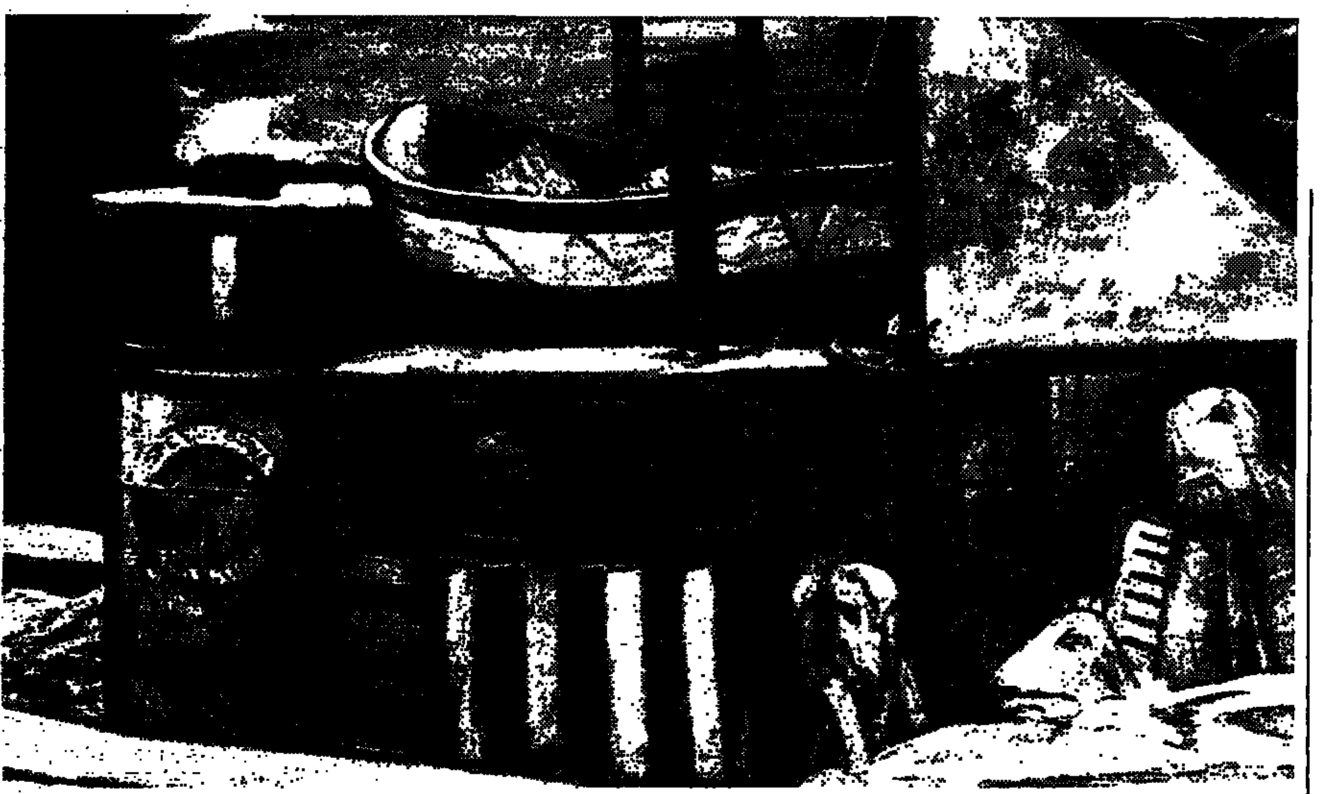
The show itself is a wonderfully heterodox compendium of 20th century British art, as various in its taste and interests as the companies concerned. In the particular it offers works of the highest quality, of the earlier periods especially, by such as Peploe, Fergusson and Cadell, by Wadsworth and Roberts, Sickert and Redpath, Burra, Lamb, Nicholson, Vaughan, Auerbach, Freud. That so many of them should have been picked up for more or less a song and are now worth at least an opera or two, should only serve to encourage them all, even like Robert Hiscox (Hiscox Holdings) in defiance of his accountants, to keep on collecting, and every other company too. From Auerbach and Bellany to Rego and Wonnacott, there is an awful lot of good British art about.

★

The show at Sotheby's is given over not to a good cause as such, but to an artist not so much neglected as tucked up in his tight technical box and so put critically to one side. Lawrence Whistler is now 80, and celebrates with a small but fully representative and exquisitely chosen retrospective of his work as an engraver on glass (34 New Bond Street W1, until January 24). The imagery speaks of the generation which formed him as an artist, neo-romantic with a touch of surrealism, with all the close focus and density of detail of the pre-war British print.

Yet convincing and enchanting as these images are of an ideal and visionary world, the more intriguing aspect of the work is the formal invention and technical command that allow those images expression. To establish a convincing pictorial space on a plane surface is problem enough: to do so on the concave inside of a goblet, and further to exploit the thickness of the glass itself by working the outer convex surface, boggles any thought of imitation. Any bending or twisting surface is bad enough, but given a reasonably consistent viewpoint, as with a fresco high up in the cupola of a church, the problem is not irresolvable. But a goblet or bowl presents itself to us every way, and its profile changes as it swoops down and up again the other side. And yet the image it carries hovers bright and consistent before us, oddly like a hologram in the darkness. Quite remarkable.

'The Artist and his Wife' by William Roberts; lent by the FT



Detail from John Bellany's 'Spes Bona'; lent by Unilever

Pioneer Soloist of the Year

QUEEN ELIZABETH HALL

The competition that Pioneer Hi-Fi sponsor for the London Philharmonic Orchestra has just completed its sixth successive year of existence. It is a small competition, and its value is therefore that of real practical use to a young musician – a prize of £2,500, awarded by a panel of judges made up of musicians (including the LPO leader, David Nolan, and the conductor of the evening, Jan Latham-Koenig) and other professionals, and a concerto date with the LPO on the South Bank.

It is exactly this sort of boost, modest but exactly judged, that genuinely serves a talented young performer at a crucial career stage – not the grossly over-inflated, over-publicised antics of the BBC Cardiff Singer of the Year and Young Musician of the Year shindigs.

The finals of the latest Pioneer Competition at the QEH on Sunday, were to have shown us three young violinists each in a complete concerto performance with the LPO. Unfortunately, one suffered a back injury and had to withdraw; even so, there was plenty of interest in the remaining two. Surely no-one who heard the 18-year-old English girl, Lucy Jeal, could be in doubt that hers is a talent of a rare and precious kind, and that her winning of the prize was other than totally deserved.

She undertook the Tchaikovsky concerto not as an exhaustively drilled competition warhorse but as a musical experience that she made blossom with fragrant freshness before our delighted ears. Everything about this lovely young player told of artistic personality already distinct and fully formed – tone with its own definable character (not big and steely but warmly ductile), a gentle, sometimes quietly musing way with the phrases that was wholly personal, and utterly captivating.

Miss Jeal's command of the virtuoso flourishes was bold but not always absolutely spot-on; in the highest reaches there was an occasional hint of walking-on-thin-ice. No doubt she will firm up on these technical matters before her Festival Hall concerto date; in any case, the wholeness of her musical grasp put them into proper perspective.

The second player, the young Romanian Vesko Eschkenazy, gave us the Beethoven concerto. He plays with shining ease and freedom from top to bottom – no flutters, no shakiness, and (on this evidence) not much sensitivity to the unfolding of a musical argument. In all those moments of melodic or rhythmic definition where a performer can show his or her peculiar Beethovenian grasp, this performance remained resolutely neutral, bland, superficial. As tends to happen on such occasions, his particular strengths and weaknesses made themselves felt in unfair contrast to those of his predecessor.

Max Loppert

The band strikes up again

Anthony Curtis welcomes a revival on disc of the Gershwin brothers' musical

There were at least three versions of the Gershwin brothers' musical *Strike Up the Band*. The first in 1927 was a resounding flop. It folded in Philadelphia after two weeks. George S. Kaufman's satirical book lampooned war – a dangerous subject to try to be funny about even then. Today the show's underlying whimsy, whereby the US declares war on Switzerland, with yodelling as a secret weapon, seems quaintly off-key. "Oh, this is such a charming war,/ Whoops! what a charming war!/ It keeps you out in the open-air" sings the chorus of soldiers in one of Ira Gershwin's lyrics.

In the 1930 version Kaufman's book was drastically re-jigged by the comedy-writer Morrie Ryskind, who structured the show around the popular vaudeville duo of Clark and McCullough. In this form it had a respectable Broadway run of 191 performances and then petered out – only to be re-written once again in a 1940 film version with Judy Garland and Mickey Rooney for which not even the most ardent fans of Busby Berkeley, its director, have a good word to say.

Meanwhile a couple of numbers from the show – the title song, a spritely military march, and the evergreen "The Man I Love", acquired a life of their own. The latter had been popping in and out of various Gershwin shows for some years until it settled down as a self-contained torch song variously interpreted by Ella Fitzgerald, Liza Minnelli and many other singers.

Now, thanks to a welcome recording project *Strike up the Band* (Elektra Nonesuch 7559-79273-2), stemming from the Gershwin archive preserved in the Library of Congress, we have the opportunity to hear the song as a duet with its counterpart, "The Girl I Love". In the event it is less effective here and completely eclipsed by another duet about first love, sung by Jason Graae and Juliet Lambert, entitled "17 & 21". These two artistes are not at all well known to us. But like their colleagues on the disc – Don Chastain in the principal part of a millionaire cheese-manufacturer and Brent Barrett as the sceptical newspaperman, with Rebecca Luker and Beth Fowler as their womenfolk – they are thoroughly at home responding to the testing demands of the stage musical. They breath fresh life into words full of dated jokes and references, lines written when lyricists were permitted some pretty tortuous rhymes.

Mercifully, there is no attempt to turn the show into an operetta as in some recent recordings of more recent musicals. Here a specially recruited orchestra conducted by John Mauceri with a complete cast and chorus are content to do a lively job of period reconstruction. On two CDs lasting almost two hours they sing all the numbers from the original 1927 version, frequently cued in by its spoken dialogue, and then they give us some additional items from the second version, including its hit song "I've got a crush on you". This 1930 version of *Strike Up the Band* has also been recorded in full and will be released later.

The production has been planned by Tommy Krasker, the Gershwin archivist appointed by the trustees of the Estate under the aegis of Mrs Leonore Gershwin. Krasker's scholarly approach to the task comes at a time when there is a universal revival of interest in American musicals of the 1920s. In one or two songs here where the original orchestrations have been preserved these have been re-created; in the majority fresh orchestrations have been commissioned from people who know how to dispense the authentic period sound.

A troupe of dancers was in addition assembled for this recording. Under the lead of Randy Skinner, some dazzling tap routines ring out as if they were being performed on the floor one's room. Anyone who has the recordings released two years ago of *Of Thee I Sing* and *Let Them Eat Cake*, two other shows in the same pre-*Porgy and Bess* style when the brothers were trying to compose *à la* D'Oyly Carte, will certainly want to have this set as well.

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Robert Schumann Ensemble plays chamber music by Mozart, Bliss and Dvorak. Tomorrow and Thurs: Nikolaus Harnoncourt conducts the Royal Concertgebouw Orchestra (6718 345)

■ CHICAGO

Civic Opera House 19.30 Daniele Gatti conducts Harold Prince's Lyric Opera production of Madama Butterfly, with Catherine Malfitano in the title role, Richard Leech as Pinkerton and Richard Stilwell as Sharpless. Runs till Jan 25 with next performance on Fri. Sat: Bruno Bartoletti conducts first night of William Farlow's new production of Turandot, with Eva Marton in the title role (332 2244). Thurs, Fri, Sat and next Tues in Orchestra Hall: Barenboim conducts the Chicago Symphony Orchestra (435 6666)

■ COLOGNE

Opernhaus Tonight at 19.30, Alexander Lazarev conducts a gala concert with guests from the Bolshoy Opera. Tomorrow and Sat: Lothar Zagrosek conducts Michael Hampe's new production of Entführung, with a cast led by Ruth Ann Swenson and Robert Gambill. Fri: Offenbach's Barbe-bleue (221 8400)

Philharmonie This week's events begin on Fri with a concert by the Cologne Radio Symphony Orchestra conducted by Andrew Litton. The programme features Elgar's Serenade for Strings, Tchaikovsky's Sixth Symphony and Walton's Viola Concerto, with Tabea Zimmermann. On Sun morning, Krzysztof Penderecki conducts the Gürzenich Orchestra in a programme of his own music (2801)

Schauspielhaus Tonight's performance at the Kammerspiele is Maxim Gorki's play Vassa Shelesnova (1910), in a new production directed by Uwe Eric Laufenberg, also Sun. Tomorrow: Strindberg's Miss Julie. Thurs: Jean Genet's The Maids. Fri: Tanz-Forum in choreographies by Joe Alegado, Richard Wherlock and Jochen Ulrich. Sat: Pam Gems' Piaf. Sun and Mon: Schiller's The Robbers (221 8400)

■ DRESDEN

This week's events at the Semperoper include a dance evening tonight, featuring the Tanzbuhne Dresden, and a piano recital by Tzimon Barto on Fri. There are also performances of Entführung on Thurs, Il barbiere di Siviglia on Sat and Der Rosenkavalier on Sun. Tomorrow, Thurs and Fri at the Kulturpalast: Colin Davis conducts the Dresden Staatskapelle in Beethoven's Sixth Symphony and First Piano Concerto, with Maria Tipo (4842 731). Sat and Sun in the Kulturpalast: David Allan Miller conducts the Dresden Philharmonic in music by Richard Strauss, Joachim Gruner and Tchaikovsky (4866 306)

■ FRANKFURT

Alte Oper The Broadway production of the Andrew Lloyd Webber/Tim Rice musical Jesus Christ Superstar can be seen tonight, tomorrow and Thurs. Fri: Heinrich Schiff conducts the Deutsche Kammerphilharmonie. Sat: Rene Kollo stars in an evening of Viennese operetta extracts. Sun: Mistislav Rostropovich conducts Bamberg Symphony Orchestra (1340 400)

Opernhaus The only events this week are an evening of Amanda Miller choreographies on Fri, a concert performance of Schoenberg's Moses und Aron conducted by Hans Drewanz on Sat and a revival of Cesare Lievi's staging of Verdi's Macbeth on Sun (236061)

English Theater Kaiserstrasse Willy Russell's Blood Brothers runs daily except Mon till Feb 22 (2423 1620)

■ GENEVA

Théâtre de Carouge 20.15 Raspoutine, Monique Lachère's play about the St Petersburg court before the fall of the Tsars. Georges Wod directs and plays the title role. Daily till Jan 16 (434343)

■ LEIPZIG

Gewandhaus 20.00 Serge Baudo conducts the Leipzig Radio Symphony Orchestra in Ravel's Alborado del gracioso, Dutilleux's Violin Concerto (soloist Pierre Amoyal) and Berlioz's Symphonie Fantastique. Thurs and Fri: Dennis Russell Davies conducts the Gewandhaus Orchestra in music by Haydn, Keuris and Bernstein. Sun: Viennese night (7132 252)

Kellertheater 19.30 Martinu's opera The Marriage. Tomorrow and Thurs: Bruno Maderna's Satyricon. Fri: Britten's A Midsummer Night's Dream (7168 273)

■ LONDON

Covent Garden 20.00 Peter Wright's Royal Ballet production of The Nutcracker, also tomorrow afternoon and evening (071-240 1066)

Royal Festival Hall 19.30 Ben Stevenson's English National Ballet production of The Nutcracker. Runs till Jan 18 (071-928 8800)

Coliseum 19.30 Michael Lloyd conducts David Pountney's production of Christmas Eve, restaged by David Sulkin, also Thurs. Tomorrow and Sat: Die Fledermaus. Fri: Xerxes (071-836 3161)

Sadler's Wells 19.00 First night of A Christmas Carol, a new musical play by Roy Pember based on Dickens' novel. Directed by Leah Thys and produced by Vanessa Ford. Runs till Feb 2 (071-278 8916)

■ NEW YORK

Metropolitan Opera 20.00 James Levine conducts Colin Graham's production of John Congliano's new opera The Ghosts of Versailles, with a cast led by Teresa Stratas, Marilyn Horne, Hakan Hagegard and Gino Quilico. Tomorrow: La boheme (362 6000)

New York State Theater 20.00 City Ballet resumes daily repertory performances with a programme of choreographies by Balanchine's Raymonda Variations and Symphony in C, plus Peter Martins' Ash with music by Michael Torke. Season runs daily except Mon till Feb 23, with matinee and evening performances on Sat and Sun (870 5570)

■ PARIS

Opéra Bastille 19.30 Myung-Whun Chung conducts Yannis Kokkos' production of Boris Godunov, with Paata Burchuladze in the title role. Runs till Jan 20, with next performance on Fri. Tomorrow and Sat: Die Zauberflöte (4001 1616)

A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ STOCKHOLM

Konserthuset 19.30 Opening of a week-long Beethoven Festival. Tonight's piano recital by Lucia Negro includes the Pastoral and Hammerklavier sonatas. Tomorrow: Joakim Svenheden, accompanied by Lotta Larsson, gives a lunchtime concert of violin sonatas. Thurs: lunchtime song recital by Gunnar Lundberg, followed by an evening concert by the Stockholm Philharmonic Orchestra conducted by Paavo Berglund, featuring the Fifth and Sixth Symphonies. Sat: Berglund leads an afternoon programme of rehearsal and performance (244130)

Royal Opera 19.30 Siegfried Köhler conducts Leif Söderström's new production of Simon Boccanegra, also Thurs. Tomorrow: Frederick Ashton's production of Cinderella, ballet by Prokofiev. Fri: Die Zauberflöte. Sat: revival of Dominick Argento's opera The Aspern Papers (248240)

■ WASHINGTON

Eisenhower Theater
Tonight's performance by the Washington Opera is Les contes d'Hoffmann, conducted by David Stahl and directed by Roman Terleckyj, with Michael Myers as Hoffmann. Runs till Jan 29, with next performances on Thurs, Sat and Mon.

Tomorrow and Sun afternoon: Handel's Agrippina in a production by Michael Hampe restaged by Florian Leibrecht and conducted by Stephen Lord, with Brenda Harris in the title role and Jon Garrison as Nero. Runs till Feb 8, with next performance on Sun afternoon (416 7800)

Kennedy Center Opera House
Bye Bye Birdie: a revival of the 1961 musical comedy, starring the Tony Award-winning song and dance man Tommy Tune. Runs till Jan 26 (416 1600)

Kennedy Center Concert Hall
This week's National Symphony Orchestra concerts (Thurs and Sat, also next Tues) are conducted by Peter Maag. The programme features Mendelssohn's Fair Melusine overture, Grieg's Piano Concerto (soloist Peter Jablonski) and Beethoven's Fourth Symphony (416 4600)

National Theater
Crazy for You: a smash song and dance show with music by George and Ira Gershwin. Runs till Jan 18 (628 6161)

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MONDAY TO FRIDAY

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - tglobal business report with James Bellini
2130-2200 (Thurs) Talking Heads - International issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
1800-1830 World Business This Week

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Tuesday January 7 1992

Russia's gamble

RUSSIA HAS a long history of impatient rulers who imposed untold suffering, in order to speed up the pace of change or shift the country in a new direction. The freeing of most prices at the start of the year looks like another of these desperate gambles. But the motivation is no longer ambition, but desperation, a sense that, after seven decades of communism and seven years of discussing economic reform, reform had to start somewhere.

Only now is the full extent of the economic disaster becoming understood. Even before the New Year price rises, most families spent more than 80 per cent of their declining real incomes on food. But with oil and energy output falling in line with the overall drop in production, there is a growing risk that more and more people will face both cold and hunger in the months ahead.

For the advocates of price reform such a situation is partly a consequence of decades of central price fixing. Artificially low prices for oil, coal and food made the producers of real wealth dependent on *ad hoc* subsidies. Perhaps that mattered little in a command economy where resources were allocated from the centre, mainly in the direction of the military. But it is impossible to operate a market economy without a link between prices and the cost of production.

In the short run, higher prices may not call forth much of a supply-side response from an economy still in the hands of state-owned monopoly producers. In an ideal world, price reform would have been introduced only after large scale privatisation of state property was well under way and where plans to cut government spending, and ensure more effective tax collection, were in place. Without this there is a risk that higher prices will lead to an explosive wage-price spiral, fed by the printing presses.

Immediate benefits

Nevertheless, price liberalisation will bring some immediate benefits: reduction in the wasteful use of food, for example, and, perhaps still more important, closure of the gap between official and unofficial prices and elimination of the basis of much of the current black-marketeering and associated corruption. Provided the printing presses can also be stopped, the monetary overhang accumulated during the previous years of artificially low prices and scarce goods will also be eliminated. These gains are, on balance, worth the risks now being taken.

Thanks to the experience accumulated by Poland, Hungary and Czechoslovakia over the last two years, Mr Yegor Gaidar and the other young economists currently in charge of Russia's economic reforms are well aware that things must be taken still further. Price liberalisation is only part of a broader package which includes privatisation, tight budgetary controls, curbs on real wages and a realistic exchange rate, backed up by a substantial hard currency stabilisation fund.

Without support

They, and Mr Boris Yeltsin, their political master, have decided to push ahead without the supporting mechanisms in place because they fear that otherwise there may be no chance of movement at all.

Windfall profits will now be made. But this is no more iniquitous than the previous method of enrichment, when those with access to state-controlled goods were able to make large fortunes by simplying selling them at market prices to the new co-operatives. These were often indirectly owned by the managers of state controlled plants who, in practice, sold subsidised goods to themselves.

The next few months will be exceedingly hard. The west must continue to channel food and other aid as accurately as possible into Russia and the most vulnerable of the republics, while forging closer ties with the new governments and with the military. But having embarked on price liberalisation, Russia and the other republics also have no alternative but to flesh out their reform programme. The circumstances are as difficult as they could be. But this may be the only chance of democratic, market-oriented reform for more than a generation. Mr Yeltsin's gamble is justified by the prize; it also justifies whole-hearted western support.

Early steps in education

THE FIRST tests administered to all seven-year-olds in England and Wales last year revealed considerable cause for concern. After two years of compulsory schooling, more than a quarter were found to have had difficulty with reading and basic mathematics. There was considerable variation between education authorities, with barely half those tested in some areas reaching acceptable levels, compared with over 80 per cent in others.

The Labour party blamed 12 years of Conservative government for such low achievement. The education secretary, Mr Kenneth Clarke, blamed poor management by local education authorities (many of them Labour-controlled) and decades of "progressive" teaching methods (and by implication previous Labour governments). Neither response does much to rectify what appears to be serious weaknesses in the first stage of Britain's education system. A child who does not learn to read, write or add up while at primary school will gain little from the rest of his or her compulsory education.

The primary school teaching methods now blamed by Mr Clarke for poor standards once enjoyed bipartisan support. The Plowden Report, which gave official approval to the child-centred approach, was published in 1967, during a Labour government. But it was set up by a Conservative secretary of state and chaired by the Tory Lady Plowden. Mrs Thatcher, education secretary in the early 1970s, did at least as much to implement its findings as any Labour minister.

Essential knowledge

Nonetheless, Mr Clarke is right to question the teaching methods encouraged by Plowden – necessary though they were as an antidote to learning by rote. Encouraging pupils to learn through group work on topic-based projects can all too easily neglect the acquisition of essential knowledge. And there is evidence that it fails to challenge sufficiently many children of both below and above average ability.

Mr Clarke's preferred solution is to encourage more formal teaching methods ("whole class teaching"), greater subject specialisation by teachers and streaming of older children according to ability. He has commissioned an inquiry into primary school teaching methods from a team which seems likely to endorse his views and which has been given less than two months to report. This deadline suggests that there will be none of the research or consensus-building which made the Plowden Report so influential.

Co-operation

Such haste could be a serious weakness in Mr Clarke's admirable desire to sharpen up teaching methods in primary schools. The UK education secretary rightly has no power to dictate teaching methods. He does have some power to influence the teacher training system, but it would take many years to create a new generation of teachers to implement his reforms. If he wishes to change teaching methods, therefore, Mr Clarke must win the co-operation of teachers.

That may not be easy as schools struggle to digest a series of reforms from the national curriculum and testing to the local management of school budgets. And teachers are unlikely to be impressed with a report prepared in under eight weeks to justify overturning 20 years of classroom practice. If Mr Clarke is serious about raising standards in primary education, he will need a more persuasive touch with the professionals than he exhibited as health secretary.

One of Mr Clarke's strengths has been his ability to tell powerful professional groups that they must do better, without demanding endless increases in their budgets.

His weakness is that in combative pursuit of this insight, he is sometimes less than thorough in identifying places where funds are genuinely needed. The teaching methods he favours require different classroom designs and equipment. Intensive remedial reading programmes call for more teachers and large-scale retraining. And if teachers are to be better motivated in a period of dramatic change, he will need to view with a sympathetic eye the forthcoming pay review body report.

This is the second of a series on British education policy.

Bush may leave Tokyo disappointed by Japanese concessions, and less able to resist protectionist pressure, says **Stefan Wagstyl**

On the campaign trail – in Japan

Mr George Bush, who *arrives in Japan today* on the last leg of an Asian tour, will be offered a bumper package of new year's gifts by his Japanese hosts.

But whether the US president will be satisfied with his presents looks very doubtful.

What Mr Bush wants is a cut in Japan's politically sensitive bilateral trade surplus – to be achieved, preferably, before this autumn's presidential election. What he will get is a mixed bag of concessions from Japanese government and industry which is unlikely to have much immediate macro-economic impact.

Japanese officials and businessmen alike fear that Mr Bush may return to Washington a disappointed man and that his disappointment could rebound on Tokyo. The danger is that the president might no longer have the stomach to resist demands from Congress for electorally popular action against Japan, possibly including protectionist measures.

Japanese officials are also concerned that arguments over the $40bn-a-year bilateral trade imbalance will overshadow discussion on issues such as the Uruguay Round of trade talks and the impact in Asia of the end of the Cold War. Mr Nagayo Homma, a retired professor of Tokyo University and an expert on US-Japan relations, says: "The Japanese government is extremely worried about the likely outcome of this visit."

The concerns should be kept in perspective. Although links between the US and Japan are being put under strain, they will not be easily broken. The two countries, which together account for 40 per cent of the world's gross national product, are each other's largest trading partners. The US is the biggest recipient of Japan's foreign direct investment, accounting for nearly half the total. Politically, the partners have been bound together since the end of the Second World War. More American servicemen (46,000) are stationed in Japan than anywhere else in Asia. Japan pays for more than 40 per cent of their costs.

Mr Bush and Mr Kiichi Miyazawa, the Japanese prime minister, will spend time on the fate of the former Soviet Union and other global issues, as well as regional matters such as North Korea's nuclear weapons research programme. With great ceremony, they will sign a Tokyo declaration – a joint statement – which will affirm the security alliance between the two nations and their common interest in world peace and prosperity. The document – appearing a few weeks after the 50th anniversary of Pearl Harbour – will be presented as a symbol of all that has been achieved in trans-Pacific relations since 1941.

However, there is no disguising the new strains that are emerging in the relationship, born of the fact that Japan accounts for an ever-increasing share of the income of the industrialised world, whereas America's share has been in decline for 40 years.

Many Japanese are concerned about their long-time partner's economic health. Mr Miyazawa said last week that the US needed "friendship and compassion" in its hour of need – words that some Americans may find patronising. Speaking at the Grand Shrine at Ise, the centre of Shinto, the Japanese national religion, Mr Miyazawa said that America deserved to be rewarded for helping Japan's post-war economic recovery through the transfer of technology and capital. "It would be a loss to the entire world if the US could not fully discharge its responsibilities as the world leader because of its domestic difficulties."

The US, as the politically dominant partner in the alliance, hates to see its economic advantage ebbing way. As an avowed free-marketer, Mr Bush would prefer American companies to staunch the flow for themselves. But as a politician he cannot afford to wait much longer. Too many jobs are being lost in the US. And too many voters are blaming Japan for the losses. That is why he is touring Asia banging a drum for American business and why he is seeking from the Japanese government interventionist moves (such as pressure on carmakers to distribute imported vehicles) that he would not countenance in the US.

It is a far cry from the original plans for the visit. When the trip was first considered last year, it was intended to be a celebration of the global partnership between two inseparable allies. Many internationally minded Japanese regret that Mr Bush could not come, as previously scheduled, in November. At that time the memory of the Gulf war was still fresh, and Japan was smarting from the charge that it failed to do enough to support the US-led forces in the Gulf. It was anxious to make amends.

In particular, the government wanted to pass through the Diet (parliament) a controversial bill which would have allowed Japanese troops to be sent on active missions overseas, on United Nations peace-keeping operations. The bill provoked some hostility from people who feared that it would infringe the country's peace constitution and possibly trigger a resurgence of militarism. But the government rightly thought that it was an essential first step towards Japan playing a role in the world commensurate with its economic power.

Professor Akihiko Tanaka of Tokyo University's Institute of Oriental Culture believes a timely visit from Mr Bush might have persuaded legislators to back the bill. In the event, a decision was postponed, and is unlikely to be made this year.

Similarly, it might have been easier last year for Mr Miyazawa to speak positively about opening Japan's rice market to imports, as he is under pressure to do from his partners in the General Agreement on Tariffs and Trade. Now with the deadline for concluding the Uruguay Round only a few days away, the time for manoeuvre is very short.

Mr Bush was forced to postpone his trip, partly because of events in the former Soviet Union and partly because of criticism in the US that he was spending too much time on foreign affairs, and too little fighting the recession at home. Now Japanese officials are dismayed to see Mr Bush preoccupied with domestic considerations. They are concerned too that Japanese politicians, led by Mr Kiichi Miyazawa, the prime minister, are increasingly involved with an election of their own – a contest for the Diet's upper house to be held in June.

As a politician, Mr Bush cannot afford to wait much longer. Too many jobs are now being lost in the US. And too many voters are blaming Japan for the losses

The deterioration in the US economy since the autumn has further soured the climate for the visit. The decision by General Motors, the carmaker, to lay off more than 70,000 people has given ammunition to Mr Bush's critics who accuse him of doing too little to protect US industry from the effects of Japanese competition. The president's opponents have pointed to the gross imbalance in auto trade between the US and Japan, with Americans importing some 1.58m Japanese-made passenger cars in the first 11 months of last year and the Japanese buying just 28,000 from the US (13,000 of them made in America by Honda Motor, the Japanese group).

In the past, the president might have shrugged off such criticism. But the seriousness of the recession has forced Mr Bush to espouse some of the rhetoric of economic interventionism. Speaking in Australia last week, Mr Bush said the purpose of his Asian tour was to secure measures from Japan to create jobs in America.

Many Japanese people are astonished that Mr Bush has chosen to bring with him on his tour 21 top executives of US corporations – including the heads of the Big Three carmakers, GM, Ford Motor and Chrysler Motor. Professor Tanaka says: "It's very peculiar for the president of the most powerful nation in the world to act like a commercial salesman." His words echo those of General de Gaulle, who once derided a visiting Japanese prime minister as a transistor salesman.

Nevertheless, Japanese officials and businessmen are doing their best to accommodate the president. While they do not like Mr Bush seemingly bringing his re-election campaign to Japan, they would like it even less if he lost the presidency to a Democrat rival, swept to power on an interventionist or protectionist ticket.]

Hence, the pile of gifts for Mr Bush. Top of the list is the Bank of Japan's decision on December 30 to cut the Official Discount Rate from 5 per cent to 4.5 per cent, a move which could stimulate domestic demand.

The Bank of Japan has also presided over a rapid appreciation in the yen over the last few weeks to around Y124 to the US dollar – its strongest for three years. A sustained appreciation should make imports, including US goods, more popular.

Mr Miyazawa will almost certainly agree to American demands for a resumption of the Structural Impediments Initiative talks – bilateral discussions about deep-rooted economic problems which first began two years ago. The prime minister may also suggest that Japan could contribute to the Superconducting Supercollider – an $8.25bn scientific research plant under construction in Mr Bush's home state of Texas, for which the US has been seeking Japanese support.

Concrete action should come in the car market. Tokyo is finalising measures to deal with Mr Bush's specific demands for better market access for American companies. The government is expected to relax testing standards on imported cars. It is also exerting great pressure on Japanese carmakers to open their dealerships to foreign companies and set targets for sales of imported cars.

For their part car manufacturers have already announced wide-ranging plans to increase purchases of imported parts and of locally produced components for their foreign factories. Nissan Motor, for example, plans a 150 per cent increase in imports over 1990 levels to $1.23bn in 1994 and a 200 per cent increase in local procurement to $5.4bn.

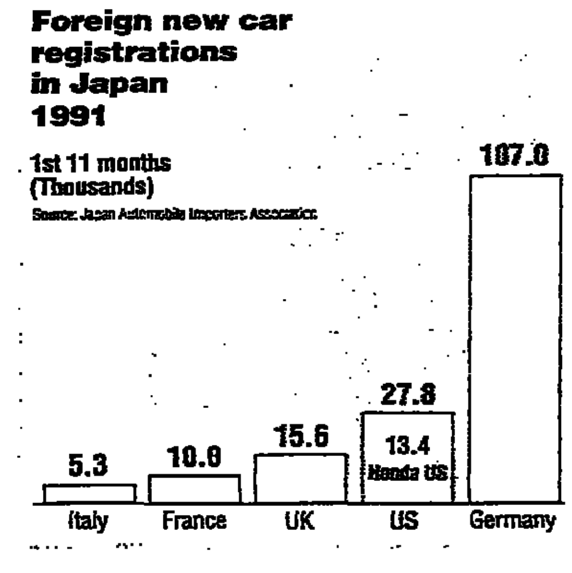
However, even if these import-boosting measures succeed, the results will not be evident for some time. It has taken Mercedes Benz 50 years to build a network of 200 outlets in Japan. The Japan Automobile Dealers Association complained yesterday that it had hardly ever received an approach from US carmakers, and Japanese consumers had serious concerns about the quality of US-made vehicles. Mr Hiroshi Kume, the chairman of the Japan Auto Manufacturers Association, says bluntly: "It's up to the customers what cars they buy."

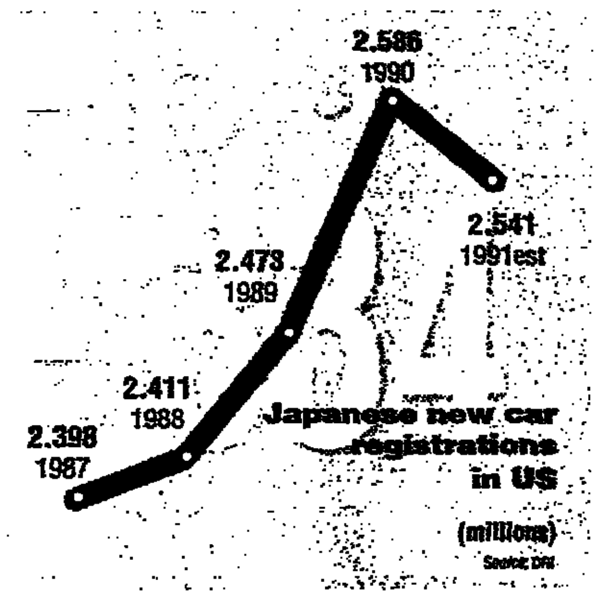
The Japanese bristle at the claim – made most recently by Mr Bush in Australia – that Japan is partly responsible for the US's economic problems, including unemployment. "Japanese people feel that GM's job losses are a reflection of GM's own failings, not ours," says Professor Tanaka. The commonly held Japanese *view, propounded with increasing* directness, is that weaknesses in the US – such as the budget deficit, poor educational standards, insufficient investment and inadequate efforts in export markets – are the root cause of America's economic woes.

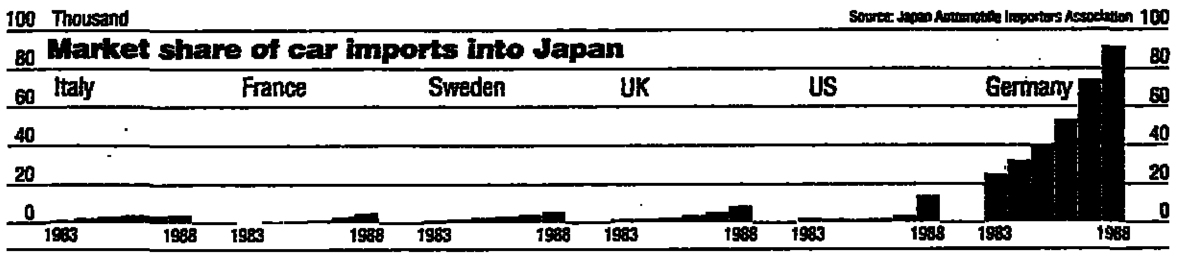
American officials do not deny the accuracy of these charges. But they counter with equally pointed attacks on continuing barriers to the entry of foreign companies into the Japanese market – notably the complexity of bureaucratic decision-making and the preference of companies in *keiretsu* (industrial groupings) to trade with each other at the expense of outsiders.

The danger of engaging in such discussions in an election year is that Mr Bush's short-term political requirements will divert attention from the search for longer-range economic policy initiatives. As Professor Homma says: "In Japan and the US the political will to solve serious economic problems does not exist."

Japanese officials feel that they have little choice but to try to help Mr Bush. They see him as their best hope of blocking the rise of protectionism in the US. But in spite of the Ministry of Trade and Industry's reputation for influencing industry, there are limits to its capacity for squeezing concessions from businessmen. When he returns to a US mired in recession, Mr Bush may judge that the gifts from Tokyo were too little too late.







OBSERVER

Representing long service

■ When it comes to ancient politicians, America has plenty to be proud of. The secretive Jamie Whitten moved into the record books yesterday as the longest-serving member of the US House of Representatives.

The Mississippi Democrat first came to Washington a month before Pearl Harbor after winning a by-election on November 4 1941. A reformed segregationist, he has never scored less than 63 per cent in his 26 elections

Congress's seniority system means that Whitten, although one of the least known politicians in Washington, is also one of the most powerful. Other congressional leaders may decide on policy and dominate the news headlines, but it is Whitten, as chairman of the House Appropriations committee since 1978, who actually doles out the money.

Old politicians know that purse strings are more important than policy, so it is no accident that Whitten's counterpart on the Senate Appropriations committee is the longest-serving Democrat in the Senate, Senator Robert Byrd of West Virginia with 33 years under his belt.

Now 81, Whitten still has one longevity record ahead of him: the almost 57 years of total congressional service clocked up by Arizona's Carl Hayden, who served 15 years in the House before moving over to the Senate.

By contrast, Britain's politicians are positive youngsters. Sir Bernard Braine, the father of the house of commons, has only been an MP for 41 years and he is retiring this year . . .

Dutch connection

■ Ocean Group is only a fifth of the size of its old enemy – P & O – but it still seems able to hire a classier sort of non-executive director. Its latest recruit – 55-year-old John Loudon – is one of business's international smoothies.

Loudon's father and grandfather were managing directors of Royal Dutch Petroleum. His cousins include the chief executives of Akzo, and Pierson, Heldring and Pierson, and his younger brother, George, is chief executive of Midland Montagu.

Although John sits on the boards of Freddy Heineken and Paul van Vlissingen's companies and served in the Dutch cavalry, he has spent most of his career as a London merchant banker, first with Lazards and then Rothschilds. Since 1968 he has been involving himself with merchant banking boutiques and a string of international directorships.

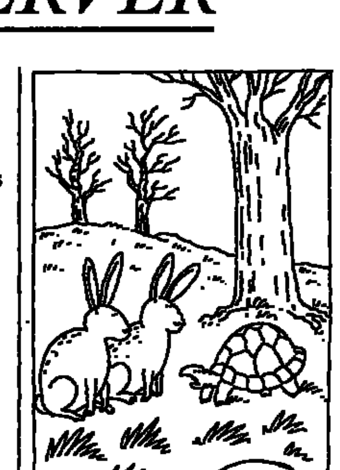
Loudon's friendship with Royal Dutch Petroleum's Dirk de Bruyne, who recently retired from Ocean on reaching 70, probably had something to do with his new appointment. He should be able to open doors for Ocean but his family pedigree still looks more impressive than his own achievements to date.

Haunted name

■ Neil Kinnock is always claiming that the loony left has been driven out of the Labour Party. How then does he explain the presence of a delegate from the Transport Salaried Staff Association at this year's Labour Youth Conference called Paul O'Looney?

Tennis incident

■ There is growing interest in Japan about the outcome of President Bush's forthcoming tennis match with the Emperor. When asked if there would be a level playing field, a Foreign Ministry official



"I've been hibernating – anyone know if the economy picked up in the last half of 1991?"

quickly returned the snub by pointing out that the two heads of state will be playing by international rules.

Global guru

■ Salomon Brothers has finally taken the plunge and replaced Henry Kaufman who stepped down as its chief economist in 1988. John Lipsky, a 44-year-old American, has been based in London as a director of the economic and market analysis department of Salomon Brothers International since July 1989.

If Lipsky's name isn't as familiar in London as, say, Gavyn Davies of Goldman Sachs or Bill Martin of UBS Phillips & Drew, it is not because of any lack of distinction as an economist. He is highly regarded among his peers and, as a former assistant chief in the exchange and trade relations department of the International Monetary Fund, is well known among international policy-makers.

He will be commuting across the Atlantic for a while until a successor is found for him in London. His appointment shows how economic punditry is a global business these days. It remains to be seen whether increased exposure to the fragile US economy will lead Lipsky to take over Henry Kaufman's unofficial title of "Dr Doom".

Sun, sea and slag

■ Today's edition of Holiday Which?, the UK Consumers' Association guide to the best and worst of tourist deals, features nine of what it calls "the worst resorts in the world", including Pattaya in Thailand – "runs Bangkok a close second as the world capital of sleaze"; Gzira in Malta – "rubbish everywhere"; Kanoni in Corfu – "located at the end of the runway of Corfu Town's airport"; and Sunny Beach, Bulgaria – "marauding gangs of thugs... an influx of pimps, prostitutes, drug-dealers and black marketeers".

After slagging off eight of the nightmare spots, Holiday Which? attempts to redress the balance by offering a much better local alternative. But interestingly enough the magazine fails to offer a Bulgarian improvement on poor old Sunny Beach. Holiday Which? tells Observer there is a simple explanation; "we agonised over this, but the only merit of Bulgaria's Black Sea coast is its cheapness.

It conjures up your worst nightmares of Spain in the 1960s". Some things glasnost just cannot cure.

Recharged

■ Miffed at being refused entry to a trendy nightspot for having no tie, a City reveller got the battery jump-leads from his car, knotted them round his neck, and returned to the door, snorting: "Will that do?"

"OK," said the bouncer grudgingly. "But don't try to start anything, that's all."

Head of steam for German rail reform

State support is set to rise unless the system is given a thorough overhaul, writes Andrew Fisher

It is the stuff of politicians' nightmares. At a time when German public finances are already stretched to the limit to pay for unification, a government commission has concluded that unless the country's railways are restructured, the total burden of state support until the end of the decade will exceed DM400bn (£139.30bn).

The message was stark, but music to the ears of Mr Heinz Dürr, who became head of the west German rail system (Bundesbahn) a year ago. He has argued forcefully that the unwieldy and expensive public authority needs to be transformed into a modern, flexible corporation that could make money rather than lose it.

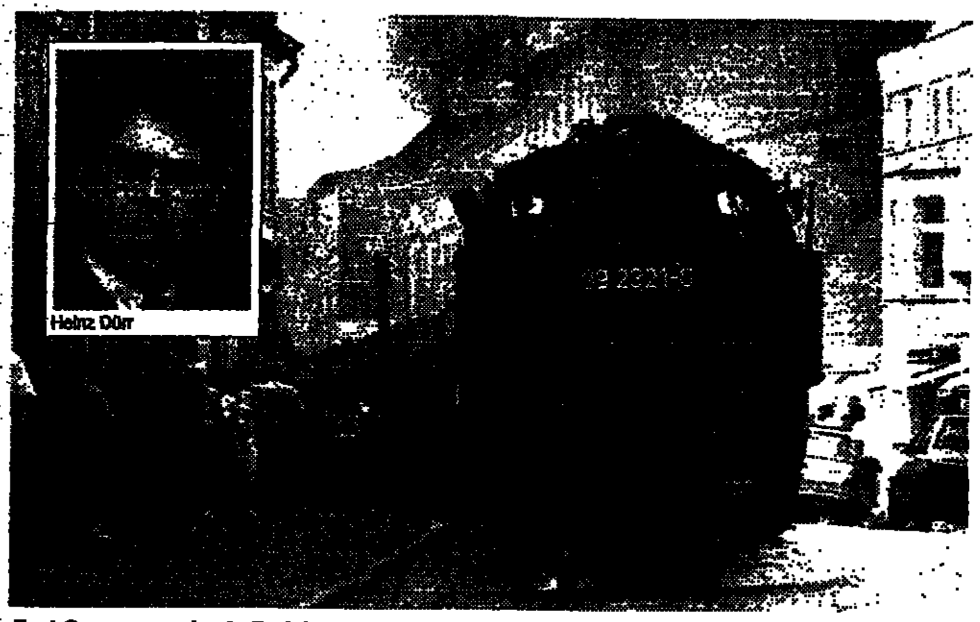
Mr Dürr wants the government to write off Germany's entire DM45bn rail debt within three years and give the system a fresh financial start. This year, the railways are expected to record a combined loss of some DM11bn, much of it in interest payments; the Bundesbahn's share of the loss will be more than DM7bn. Today, the Bundesbahn owes twice its DM20bn turnover. By 2000, if the commission's proposals are not acted on, total east and west German rail debt could be DM220bn. Together with accumulated losses, the state could be left with a DM400bn price tag.

If, on the other hand, the railways are prodded into greater efficiency, that DM400bn could be cut by up to DM80bn, the Bundesbahn estimates. The commission mentions potential savings of well over DM100bn.

The government is determined to save what it can from the public purse by a radical overhaul of the rail network. While the Bundesbahn is efficient, punctual and comfortable compared with services in other European countries, it is hobbled by a high degree of political involvement at national and regional level. For instance, it needs transport and finance ministry approval for all investments over DM5m and is subject to intense pressure from local politicians to operate uneconomic lines. This has created a management with little commercial freedom or entrepreneurial drive.

"We've got to free the management of the railways from these political burdens," says Mr Peter Reinhardt, head of the rail department at the transport ministry. "The financial development of both east and west railways is frightening. We have to find a breakthrough."

Government frustration at years of resistance to reform by the railways has finally led to a groundbreaking series of proposals. The central plank of the restructuring involves the setting up of a shareholding company, Deutsche Eisenbahn (German Railways) AG, which could operate without political oversight as an independent concern. Initially, the AG would comprise the Bundesbahn alone, but Mr Durr, who took over as head of the Reichsbahn last September, wants to bring in the creaking, investment-starved east German system after it has been modernised and slimmed down.



East German service in Bad Doberan; Bundesbahn chief, inset, advocates a new rail authority

As an AG the railways' accounts would be much more transparent – loss-making routes kept open for social purposes in outlaying areas could not be financially camouflaged – and the government would be able to decide whether to continue making payments for such individual routes. At the moment, payments for "social" routes are subsumed in general subsidies to the network and the commercial viability of the routes is unclear.

Under the commission's proposals the government would still own the rail system, but a revamped management board would be responsible for day-to-day operations. Unlike at present, there would not be an advisory board – consisting mainly of local and regional political appointees – which influences policy. The removal of this bureaucratic management tier would make the system more efficient, it is hoped, and thus more attractive to private investors. They could, for instance, operate their own freight services on state-owned track, or help to finance capital spending.

The need for wholesale corporate restructuring has not arisen solely because of German unity. The Bundesbahn's mounting deficit, its loss of freight business to the roads, and the resulting congestion on the motorways have long worried the government. But unification has brought a new urgency, mainly because of the extra financial challenge – it will cost DM50bn to bring the Reichsbahn up to Bundesbahn standards.

Because the railways commission's 60-page report offers a solution to this financial headache, the government's initial reception has been favourable. But setting up an AG would need a change in the country's constitution, so the matter looks set to become a serious political issue. Germany's opposition Social Democrats, some of whom could see the changes as anticipating privatisation, would have to accept the proposals for there to be the requisite two-thirds majority in parliament. So far, they have not made their final judgment.

As the political manoeuvring gets under way, Chancellor Helmut Kohl has made clear he wants the railways made more efficient. "The government wants rail to play a bigger role in transport policy," says Mr Dürr, previously chief executive of AEG, the electrical subsidiary of Daimler-Benz. "It's also what the citizens of this country want. The trouble is that most people go by car."

The roads also have the lion's share of freight business, about 50 per cent in west Germany. Over the past 30 years, rail's share of freight business has fallen from 44 per cent to 25 per cent. The task now is to reverse this trend or at least to keep it steady. Mr Günter Krause, the transport minister, has said rail should aim to win up to 30 per cent of all freight traffic by the end of the decade.

As a leading government supporter of the planned reforms, he hopes, along with Mr Dürr, that the political hurdles can be cleared soon. But Mr Dürr wants to go further than setting up an AG, and to introduce sweeping labour market changes. This might bring him into conflict with the Social Democrats and the unions, which want to protect the jobs and benefits of railway employees. Mr Dürr is keen to introduce a more flexible staff policy into the Bundesbahn by doing away with the special status of many employees. As *Beamte* (public servants), they have jobs for life and special pension benefits, but are forbidden to strike.

What frustrates Mr Dürr is that their status inhibits many of his proposals – for example, staff tend to be promoted more on the basis of seniority rather than on ability. There are 140,000 *Beamte* among the 230,000 Bundesbahn employees, including train drivers, guards, and ticket-sellers. Their promotion routes and pay scales have to accord with nationally agreed conditions throughout the German public sector, making it hard to attract managers from private industry. Mr Dürr does not want the Reichsbahn's 200,000 employees, now being reduced by about 10,000 a year, to become *Beamte*.

The fact that the east German system has nearly the same number of employees as west Germany's, which has almost twice as much track, shows the magnitude of the task of integration and matching productivity levels. In 1989, the last year of the old East German government, only 300m East Marks were invested in the Reichsbahn, nowhere near enough to maintain it. This year, the figure will be at least DM5bn.

New east-west links are being built and existing ones modernised. "Some stretches are practically all building sites," Mr Dürr says. Re-equipping the Reichsbahn is only part of the picture, though. Finding the right managers is just as important, and by no means easy. All the top managers of the Reichsbahn have been changed and the boards of east and west German railways now meet together. There are joint planning and investment policies and a growing exchange of personnel. For Mr Dürr, transforming Germany's railways is the challenge of the century – "though I hope it doesn't take a century to achieve". But it will take more than money to fulfil the vision of a united German rail concern which operates with a minimum of bureaucratic fat and a maximum of entrepreneurial drive. It will also take a strong political will.

PERSONAL VIEW

How to make the Budget a real budget

By John Smith

As Samuel Brittan observed last month, Treasury forecasters have achieved a hat trick. "They failed to foresee the inflationary boom of the late 1980s; they failed to foresee the subsequent recession, and then they forecast a fictitious recovery" (FT, December 19). This tragi-comedy of errors is not just a problem of poor forecasting. It is also a consequence of the arcane and illogical way British economic policy is made.

A key problem is the arbitrary separation of the public expenditure decisions announced in the Autumn Statement each November from the tax measures revealed in the Budget in March. In almost every comparable industrialised country, the sums to be spent by government and raised in revenue are decided at the same time. In Britain, however, the Budget is not really a budget at all. It is merely a statement of tax changes hopefully related to expenditure decisions announced months beforehand.

In my view this arrangement fails to encourage either the development of coherent policies or honest debate about the economic priorities facing the nation. It hinders medium-term assessment of public expenditure priorities and their revenue implications, and it makes it significantly harder to determine the overall macro-economic impact of different fiscal and budgetary policies.

Making matters worse is the relative invisibility of the Autumn Statement in comparison with the Budget and the famous theatrical attractions that the latter offers to chancellors of the exchequer on the steps of Number 11 Downing Street. As a result, the electorate's awareness of vitally important public expenditure decisions remains low while interest in possible tax changes is kept artificially high.

A further difficulty is that reforms designed to improve parliamentary scrutiny of public expenditure have so far achieved the opposite. Departmental reports introduced in the last two years to replace the former Public Spending White Paper have made it even harder to assess overall public spending trends and priorities. And the traditional debate on public expenditure that used to follow publication of the White Paper is soon to be subsumed within the general economic debate that occurs after the Autumn Statement.

The time has come, I believe, for a complete review of the way in which major aspects of economic policy in this country are formulated and presented to parliament.

Proposals for reform of the UK's budgetary process were made 12 years ago in the report Budgetary Reform in the UK, published by the Institute for Fiscal Studies. This report, prepared by a committee chaired by Lord Armstrong of Sanderstead, recommended that revenue and expenditure decisions should be taken together and that the government should also publish a provisional Budget some months before the final version is presented to parliament in March.

Public debate might have prevented the most serious fiscal policy errors

Of course, publication of a draft or provisional budget does raise some difficult issues: notably the risk that proposals for tax changes given in advance could be disruptive and encourage avoidance. Some degree of budget secrecy, therefore, is probably inevitable. This constraint, however, need not prevent government from taking steps to encourage, in advance of the Budget, a more informed public and parliamentary discussion of general economic policy options including issues of tax and expenditure policy.

Why not, for example, consider longer-term questions of tax reform, such as the distribution of the tax burden among income groups (a subject not especially popular with current Treasury ministers), or examine the likely macro-economic effects of different tax changes. Public debate of this kind might have prevented the most serious fiscal policy errors of recent years, notably the pro-cyclical inflationary tax cuts of 1988 and the similarly ill-timed VAT increase in last year's Budget.

The decision to link expenditure and revenues in the Budget would enable a new role for the Autumn *Statement*. It could become a key statement of overall economic policy, providing not simply a forecast, but a detailed assessment of the options facing the economy. This new-style statement would initiate a national dialogue on economic policy that could inform and improve the decisions that governments eventually take in the Budget.

A further reform, not strictly related to the Budget process but long overdue nevertheless, is to ensure the independence of the Government Statistical Service.

The combination of expenditure cuts in the early 1980s and the Conservative government's marked tendency to manipulate official data have seriously damaged the integrity of British statistics. The numerous changes to the method of compiling the numbers of unemployed and government ministers' inconsistent use of the retail price index and measures of the underlying rate of inflation (depending on which happens to be lowest at the time) are probably the most glaring examples of their statistical sleight of hand.

An independent statistical service would restore public confidence in the statistics that ultimately guide government decision taking and complement a reformed process of budget making. Together these changes would, I believe, not merely improve the quality of our democracy; they would also improve the effectiveness of economic policy and contribute to better performance by the British economy.

The author is the shadow chancellor.

LETTERS

Protecting the investor

From Mr Gervase Tinley.

Sir, In the wake of such unhappy events as the Barlow Clowes, BCCI and Maxwell affairs the public does not view regulation to protect investors, depositors or pensioners as being effective as it should be.

The idea of an investor's charter to crystallise the rights and obligations of different parties in relation to investor protection has been put forward. The suggestions that there should be a single regulator for those who retail investment and life insurance products and services is also receiving some support.

There is reason to believe that the general public is becoming increasingly aware of the concept and value of polarisation expressed through independent and tied sales outlets.

Switching to a single regulator for retailers would cause an upheaval in the system of regulation which will not have been in force for four years until April 1992. It would undoubtedly blur the gradually emerging distinction between independent and tied sources of financial services.

By all means let us have a charter, but don't cause confusion by overturning the present still fledgling structure.

Gervase Tinley,
managing director,
Atlantic Business Associates,
Station Road,
Horsham, West Sussex

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

The realities of Sunday trading – in the UK, and for Virgin in France

From Mr Peter Wynn Williams.

Sir, May a banker express a view about the letter from Mr Barry Hyman of Marks and Spencer (Letters, January 3) in which he claims: "There is absolutely no evidence to suggest that the public is crying out for a seventh day on which to purchase food or clothing."

I am normally unable to go shopping for anything during the week and often find it difficult to do so on Saturdays. I would like nothing better than to visit M and S on my way home from church on a Sunday.

Nearly everybody I know feels the same – and not only as far as food and clothing (and M and S) are concerned. There are enough pressures in modern life without being prevented from shopping when it is convenient.

Mr Hyman's remark that "when the law is rationalised ... some of us may wish to ease congestion and assist customers by opening on the occasional Sunday" is telling in its condescension and (together with M and S's refusal to accept other issuers' credit cards and anybody's debit cards in its stores) suggests that his company has much to learn about assisting customers.

While I am not suggesting that M and S (or anyone else) should break the law by opening now on Sundays (that is a separate argument), I do wish they would admit that there is a very real demand from the public for all kinds of shopping on Sundays, and join the campaign to repeal the Shops Act.

And if Mr Hyman does want to attend to his banking affairs on Sundays, perhaps he should consider moving his account to First Direct, which is already open for retail banking 24 hours a day, seven days a week (and which, incidentally, is not my employer). If enough bank customers want to move their accounts to banks which do business on Sundays, I am sure the banks which do not will soon get the message. Loans, socks – it's all the same.

Peter Wynn Williams,
7 Barrie House,
Lancaster Gate, London W2

From Mr Patrick Zelnick.

Sir, your article ("France to ease Sunday trading laws slightly", December 31) on the Virgin megastores' battle with the French authorities over Sunday opening contained a couple of inaccuracies.

Far from "angering" our own staff, we have 100 per cent support from them, and they turned up *en masse* at court in support of our decision to open on Sunday, December 29 (they know we will use *only* volunteers to work Sundays). Although the court fined us, the judge said that we were right to fight for something with such wide public support.

As a result of our stance, the French minister of employment has publicly announced that he will meet the head of our retail division to discuss a formula for cultural shops (records, books, etc) to be allowed to open on Sundays.

Sunday trading is an issue that we will not "back down over".

Patrick Zelnick,
president,
Virgin France

Telling examples of competitive inertia

From J.M.L. Stone.

Sir, Six months ago I put out for quotation by a toolmaker a drawing for a blow-moulding tool. It took five weeks and three prodding telephone calls before I received his quotation on the telephone which was "around £18,000"; and the drawing would have to be amended so that the toolmakers could make a tool which they could make.

A visit to Portugal produced an estimate within five minutes; and the estimate was just under £7,000.

I recently asked a well-known West End optician to have my spectacle frames polished, to which the response was "we can't do it in England; they will thus have to go to Germany which will take three weeks and the cost will be £95". In Stuttgart last weekend I walked into the first optician's shop I came across and had the job done in a quarter of an hour for £5.

J.M.L. Stone,
13-15 John Adams Street,
London WC2

Direct insurance ignores principle of the many paying for the few

From Mr Kevin Pratt.

Sir, Missing from Richard Lapper's examination of direct insurers ("Fire-eaters and contortionists", January 6) was any acknowledgement of the vital role still played by independent insurance intermediaries.

Mr Lapper suggests that by no longer paying commission to intermediaries, the direct writers are able to offer cheaper insurance to the public. He fails to point out that it is the public who is paying the substantial bonus paid to insurers' staff, including the £1.5m bonus to Mr Peter Wood of Direct Line. Commission or bonus, it comes out of the same pockets.

The direct insurers offer cheaper insurance because they shy away from anything other than "standard" risks. In Mr Lapper's words, Direct Line "rejects risks it thinks certain to produce claims". How could an insurance company operating on this basis fail to make money?

The issue glossed over in the article is how the difficult risks are to obtain cover. If the direct writers force high street intermediaries out of business while continuing to bet only on racing certainties, where will the young, the elderly, those with convictions, those driving fast cars and any other unusual cases turn?

Insurance is grounded on the principle that the many pay for the misfortunes of the few. Independent intermediaries distribute the varied motor insurance risk among a wide constituency of insurers. As a result, "standard" risks pay marginally more if they go through a broker in order to subsidise higher risks drivers – and keep the entire market on an even keel.

The savings from going direct are often only a few pounds. One wonders whether the ultimate disruption to the market as a whole is worth the cost. After all, a standard risk can become a higher risk at any time, because of an unavoidable claim or because of the underwriting caprice of a "flexible" direct insurer. It is in the interests of all drivers to maintain a market in which all drivers can obtain insurance at reasonable cost.

Kevin Pratt,
editor,
Insurance Age,
33-35 Bowling Green Lane,
London EC1

FINANCIAL TIMES
Tuesday January 7 1992

Government and opposition parties to hold talks following arson attack on refugees

German asylum pact faces breakdown

By Quentin Peel in Bonn

GERMANY'S four leading parties have called talks tomorrow to deal with the soaring numbers of asylum-seekers in the country, amid signs that their previous compromise on the issue is falling apart.

It now threatens to explode politically, following an arson attack on a refugee hostel in the Black Forest on Sunday night which left a Lebanese immigrant critically ill.

At the same time, publication of statistics for 1991 show that the number of asylum-seekers in Germany had reached 256,112, almost 33 per cent higher than a year earlier. The figures were boosted by a sharp increase in the number of refugees fleeing the civil war in Yugoslavia, and those from eastern Europe.

The latest cross-party talks between the ruling coalition and the opposition Social Democrats (SPD) come amid reports that their previous agreement, to protect refugees by gathering them in large camps and to accelerate procedures for dealing with asylum applications, cannot be put into effect for months, if at all.

The Christian Democrats (CDU), senior partners in the ruling coalition, maintain that the vast majority of asylum-seekers are really economic migrants seeking work.

They want an amendment to the German constitution to allow immigration officials to stop such applicants at the border and send them home.

The SPD and the Free Democrats, who belong to the ruling coalition, reject changes in the constitution as too drastic and insist the problem can be dealt with by improving procedures to process asylum-seekers.

Only one federal state – Baden-Württemberg – has adequate capacity to house refugees in the proposed "collection camps", according to the Interior Ministry.

There are still not enough legally trained personnel to process the flood of asylum applications within six weeks, as the parties had agreed. And legal amendments are still required to the asylum law to speed up application procedures from the current average of about 12 months to only six weeks.

The asylum issue remains acutely sensitive at a time of rising discontent over higher taxes to pay for German unification, and the inflow of immigrants of both German and non-German origin.

The latest attack was on a hostel housing some 40 refugees at Waldkirch in Breisgau, near Freiburg in the country's prosperous south-west.

Both entrances to the hostel were on fire when the police and fire brigade arrived at 1am, and the inmates had retreated to the third floor. Twenty were taken to hospital suffering from smoke inhalation, and one man was reported yesterday still to be in a critical condition.

Skinhead gangs have carried out a string of attacks on immigrant hostels over the past six months, although these attacks have been condemned by all political parties except the extreme right.

Yesterday saw a spontaneous demonstration by about 400 people in Waldkirch, protesting against "hostility to foreigners".

Publication of the latest statistics seems certain to heighten the intensity of the debate, however. They show that almost 77 per cent of asylum applications were rejected as unfounded, another 16 per cent were withdrawn, and only 6.9 per cent were deemed to be genuine cases for political asylum under Germany's liberal laws.

Of the total, 74,854 came from Yugoslavia, 40,504 from Romania, 23,877 from Turkey and 12,056 from Bulgaria.

Bush urged to halve strategic warheads

By George Graham in Washington

THE US should cut its strategic nuclear arsenal by 60 per cent and completely revise its missile targeting strategy, according to a report by a high-level Pentagon advisory panel.

The panel recommends cutting the number of strategic nuclear warheads to around 5,000, roughly half the level permitted under the Strategic Arms Reduction Treaty signed last year by the US and the Soviet Union.

But it advocates using the nuclear threat not only to deter nuclear aggression but also as a deterrent to Third World countries which might possess chemical or biological weapons, and as a symbol of US power in the world.

The recommendations would represent a significant shift in US nuclear strategy, but fall some way short of changes suggested by some analysts in light of the collapse of the Soviet Union.

President George Bush announced in September a series of unilateral measures that significantly cut the number of tactical nuclear weapons deployed by the US, but some critics in Congress and outside have urged him to go further in cutting strategic weapons.

According to reports in the Washington Post and Los Angeles Times newspapers, the panel, chaired by Mr Thomas Reed, the former air force secretary, recommends preserving a nuclear arsenal that is larger than the combined total of warheads possessed by China, France and the UK.

It also argues that maintaining a substantial nuclear deterrent helps discourage Japan and Germany from developing their own nuclear weapons.

Defence analysts noted yesterday that the report's emphasis on preserving a nuclear deterrent against Third World threats, now that the Soviet threat has diminished so dramatically, parallels Defence Department arguments for keeping weapons systems originally designed with Cold War objectives in mind.

The B2 stealth bomber, for example, was devised to penetrate Soviet air defences. Its backers have argued that the success of the F117 stealth fighter in Operation Desert Storm justifies preserving the B2 for conventional missions.

The devastating results of the Irish Republican Army's continuing campaign against commercial interests in Belfast city centre, where two massive bombs exploded on Sunday night. The UK government, in its turn, is waging a secret battle to undermine the financial basis of the IRA's operations. Dealing in the business of fear, Page 7

UN ready to condemn Israeli expulsion order on Palestinians

By Our Middle East Staff

THE UN Security Council was expected late last night to adopt a resolution strongly condemning Israel's decision to expel 12 Palestinian activists from the occupied territories.

Council members were conferring on a resolution that would also call for the safe and immediate return of all deportees.

The resolution was sure of backing from the US which yesterday condemned the deportations. State Department spokesman Mr Richard Boucher said the US was discussing with other council members a resolution in keeping with the long-standing American opposition to such Israeli action. The other four permanent members of the Security Council have also condemned the expulsions.

Middle East diplomats said Washington wanted a simple resolution that condemned the deportations but was resisting Arab pressure for a more generalised condemnation of Israeli policies.

Middle East peace talks were due to resume in Washington today but the three Arab delegations involved had put off their departure for the US in protest at the Israeli action. The Arab leaders continued to debate the fate of the US-sponsored peace process as they waited for the Security Council to formulate its position.

Mr Yassir Arafat, the chairman of the Palestine Liberation Organisation who has been touring Israel's Arab neighbours, said he had secured a common position on whether to attend the talks.

The PLO leader returned last night to Amman after talks in Damascus with President Hafez al-Assad of Syria. Earlier he visited Cairo and Amman. One PLO official said the Arab delegations, including the Palestinians from the occupied territories, would leave for Washington as soon as the Security Council announced its resolution on the deportations.

The Israeli delegation arrived in Washington yesterday. Mr Yitzhak Shamir, Israel's prime minister, did nothing to soften the US stance as he defended both the expulsion of Palestinians and the extra funds which have been voted for building new Jewish settlements in the occupied territories.

The US has repeatedly criticised construction of new settlements, describing the policy as an obstruction to the peace process.

Russia must accept UK beef in EC aid package

By David Gardner in Brussels, Robert Mauthner in London and Quentin Peel in Bonn

RUSSIA will have to accept British beef as part of European Community aid if emergency food deliveries are to continue as planned, European Commission officials said yesterday.

One senior official said Russia's rejection of the free UK beef – because of fears it might be contaminated with bovine spongiform encephalopathy or "mad cow disease" – could have been prompted by rival EC beef producers seeking future orders from the former Soviet republics, which will get EC food credits to pay for them.

The Commission's agriculture management committee is to decide tomorrow on new aid deliveries and "it goes without saying that there will be further consignments of British beef", a senior Commission official said.

Britain expressed its irritation at the delays in obtaining Russian clearance for British beef sent as part of EC aid, and a Foreign Office minister hinted that food aid policy to Russia might have to be reconsidered. Mrs Lynda Chalker, overseas development minister, said in a radio interview: "If they are going to react like this we have lots of other things to do, not only with our beef but with our time."

Brussels is concerned that Russia's initial refusal of a 120 tonnes consignment of UK beef could lead to a disastrous new consumer scare over meat safety. The BSE scare was one of the main contributory factors in last year's near collapse of the EC's saturated market for beef.

The British beef came from intervention stockpiles, financed by the EC to keep meat prices up, and had arrived in Murmansk last night where it was due to be canned. It was part of the Ecu200m ($258m) emergency food aid agreed at last month's Maastricht summit for Moscow and St Petersburg. This programme is in addition to the Ecu250m food aid the EC has been delivering over the past six months, and separate from the Ecu1.25bn in food credits the Community plans for the former Soviet republics, Ecu500m of which was agreed on December 16.

Tomorrow's management committee meeting is likely to decide that future consignments of aid should be made of any food deemed safe for trade within the EC. However, the next delivery was not scheduled to be from the UK, and officials hope this will offer a breathing space to clear any obstacles to future British consignments. Veterinary experts from the UK and the Commission are due in Moscow shortly to try to quieten remaining fears.

Germany yesterday despatched 10 transport and distribution experts to Moscow and St Petersburg, and called for concerted EC supervision of aid distribution, after reports of large-scale diversion of food aid on to the Russian black market. Mr Dieter Vogel, the Bonn government spokesman, said the Russian distribution system could only work properly "with Western help and support".

THE LEX COLUMN

The shadow of the taxman

It is not hard to see why debate over the Labour party's income tax proposals has degenerated into an unseemly slanging match about the level of standard rate required to meet its manifesto plans. Labour can scarcely be right to argue that it would not need any extra levy from individuals earning less than £20,300. The Tories are wrong to assert that the standard rate would rise by 10p in the pound. But Mr Lamont's problem lies in trying to argue that Labour's overall proposals would have much economic impact as they stand, even though they appear to be a sharp reversal of the Thatcherite trend towards a lower, simpler tax structure.

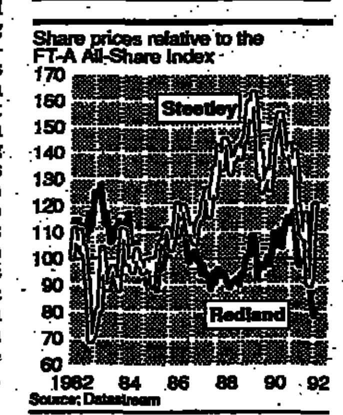
Taking some £4bn from higher-rate taxpayers and redistributing it through higher pensions and child benefit ought, in theory, to be mildly stimulative because the recipients are more likely to be spenders than savers. But the amount is tiny against total personal disposable income. There is also a risk that the economic benefit would be offset by a further loss of confidence among affluent but debt-ridden consumers which would act as a drag on recovery. Uncertainty over the future tax regime is inhibiting the housing market, though this might dissipate after the election if only a small minority of taxpayers actually found their bills increasing.

In isolation, Labour's income tax proposals have limited implications for the financial markets. As they are skewed towards consumption rather than saving, they might in theory reduce the funds available for investment, though here again the amount of money involved is small. Within the equity market, there might be some sector effects, with food retailers, for example, benefiting at the expense of stores selling big ticket consumer goods.

There are, of course, plenty of other market factors which would apply in the event of a Labour victory. The foreign exchanges would probably test Mr Kinnock's commitment to the European system, forcing interest rates up sharply, at least to begin with. Labour would have to reconcile its policy ambitions to its capacity to borrow and its commitment to an unchanged tax burden for the vast majority. Where that line is finally drawn is far more important to the markets than a shift in the distribution of the income tax burden.

Higher top rates have the reputation in Tory mythology of reducing incentives and constricting activity at the micro-level. The academic case for this is unproven, though Labour is pushing its luck with its plan to generate additional social security funds by reintroducing a surcharge on investment incomes over £3,000. Not only would this push up its own cost of borrowing, it would also distort investment decisions by putting undue emphasis on tax efficiency. The biggest beneficiary would be the financial services industry, which must already be totting up the fees to be earned from helping clients avoid the charge.

FT-SE Index: 2,493.2 (-10.9)



Source: Datastream

Redland/Steetley

Most of last year's big takeover tussles – BTR/Hawker and Lasmo/Ultramar to name but two – turned out much closer than the market originally assumed. So despite the blandness of Steetley's document rejecting Redland's £600m bid, there is reason to believe that the battle of the UK brickies can yet provide an absorbing finish.

You would hardly think so from the movements of the two companies' shares. So far, at least, no white knight is being signalled by the Steetley price, which last night was still trading 7 per cent below Redland's paper offer and bang in line with the mainly cash alternative. But these are early days. Steetley can do better than highlight a financial record which transparently leaves out its dismal performance last year. It can spell out in greater detail the benefits of the proposed building materials joint venture with Tarmac. Above all, it will be able to trumpet the results of its much-heralded asset revaluation.

In the end, however, the fairness of the price comes down to a good deal more than asset value. Steetley's strategy was arguably a good one for the 1980s, but the cost to shareholders now is all too visible in a stretched balance sheet. Redland is financially much stronger but is vulnerable to jibes about the volume of new paper it has issued in the last few years. There is a clear choice in management style and an equally clear choice between exposure to the UK through an independent Steetley or a more diverse merged European portfolio. Redland's timing has been neat and its intellectual case well made. But there is still a long way to go.

M & A

The international acquisition business, it seems, reacts to recession in curious ways. It is no surprise that activity overall should have been down heavily last year. But it was also concentrated in countries which had yet to go into recession, as opposed to those in it already. Thus, according to Daiwa, foreign acquisitions by Japanese companies were down nearly 80 per cent by value last year, with the sharpest falls in the US and UK. Purchases of Japanese companies by foreigners, on the other hand, went up eightfold. Similarly, the London research company J P Mervis calculates that UK companies spent 73 per cent less on US acquisitions last year. But they increased their spending in Continental Europe, the heaviest concentration being in the late-cycle economies of Germany and Spain.

There is something slightly perverse about this. It may be that companies in recession-struck economies are relatively expensive because investors are discounting recovery, as they plainly are in the US. Just conceivably, the reverse may be true in Germany or Japan. But commonsense suggests that acquisitive companies would find better bargains in economies where business confidence was at its lowest.

Or perhaps the reality is the other way around: that it is the acquiring companies which lack confidence. The appeal of acquisition targets in countries which have yet to enter recession may be precisely that they show an unblemished profits record. If so, traditional bid activity within the Anglophone economies may be slow to pick up this year. If even the strong companies cannot judge their own future, they are less likely to take a bet on that of their neighbours.

Shevardnadze offer

Continued from Page 1

cold-shouldered by Mr Gamsakhurdia.

The former Soviet foreign minister praised Mr Tengiz Sigua, the civilian figurehead for the rebel movement who has been appointed caretaker prime minister. "I value him very highly," he said of the former engineer who returns to a job he quit last September – mirroring in at least one respect Mr Shevardnadze's zigzagging career.

Mr Shevardnadze said Georgia should not just hold parliamentary and presidential elections in the near future – planned for April – but should limit the powers of the presidency and separate those of the executive, legislative and judiciary to avoid abuses in future.

He also supported immediate negotiations with the people of South Ossetia, who have been under siege by Georgian gunmen since Mr Gamsakhurdia abolished their autonomous status.

Russian liberals in Moscow rejoiced at Mr Gamsakhurdia's departure despite apprehension that this might not be the end of turmoil in the republic.

"That's the tragedy of democracy – the man was elected president but he thought that gave him the right to break all laws and behave whichever way he wanted," said Mr Vladimir Lukin, chairman of the Russian parliament's foreign affairs committee.

US telecoms challenge

Continued from Page 1

Sprint's application to provide international services will test the openness of the UK telecommunications market.

In its white paper last year, the government said that the duopoly on international services should be ended but that it was unlikely to grant new international licences in the short term. It argued that this was because UK companies found it difficult to operate in foreign markets.

However, Sprint said yesterday that a relaxation of US regulatory policy last month meant that this should no longer be a consideration as far as US companies were concerned.

If Sprint is granted an international licence other US and UK groups are likely to follow suit because international services are the most profitable part of the telecommunications market.

About 20 telecommunications licence applications, most to run niche services, have so far been filed with the DTI. Officials are understood to be particularly interested in an application by Millicom, a US-based group which helped pioneer mobile communications in the UK, to provide voice and videophone services using radio links.

British Rail and the regional electricity companies, which expressed enthusiasm about entering telecommunications last year, have yet to make formal applications.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	13	55
Algiers	S	15	59
Amsterdam	S	10	50
Athens	S	15	59
Bahrain	S	12	54
Bangkok	F	35	91
Barcelona	S	11	52
Beirut	C	13	55
Belfast	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]
Berlin	Dr	4	39
Biarritz	S	10	50
Bombay	S	30	86
Bordeaux	S	6	43
Boulogne	S	9	48
Brussels	C	9	48
Budapest	F	[illegible]	[illegible]
Buenos Aires	F	30	86
Cairo	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]
Caracas	C	28	82
Casablanca	S	19	66
Chicago	C	1	34
Cologne	C	10	50
Copenhagen	Fg	2	36
Corfu	F	12	54
Dallas	C	9	48
Dublin	S	12	54
Dubrovnik	[illegible]	[illegible]	[illegible]
Edinburgh	[illegible]	[illegible]	[illegible]
Faro	C	14	57
Florence	F	8	46
Frankfurt	C	10	50
Geneva	S	4	39
Gibraltar	F	15	59
Glasgow	C	11	52
Helsinki	S	-1	30
Hong Kong	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]
Islamabad	F	18	64
Istanbul	S	9	48
Jakarta	R	31	88
Jersey	Fg	6	43
Johannesburg	F	20	68
Lima	F	27	81
Lisbon	S	9	48
London	S	12	54
Los Angeles	[illegible]	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]	[illegible]
Madeira	R	17	63
Madrid	S	7	45
Majorca	F	14	57
Malaga	F	15	59
Malta	S	14	57
Manchester	F	10	50
Manila	F	32	90
Melbourne	C	15	59
Mexico City	[illegible]	[illegible]	[illegible]
Miami	[illegible]	[illegible]	[illegible]
Milan	F	1	34
Montreal	R	2	36
Moscow	S	-2	28
Munich	F	10	50
Nairobi	R	18	64
Naples	C	11	52
Nassau	F	22	71
New Delhi	S	19	66
New York	[illegible]	[illegible]	[illegible]
Nice	[illegible]	[illegible]	[illegible]
Nicosia	S	16	61
Oporto	S	9	48
Oslo	F	-2	28
Paris	C	5	41
Peking	F	-2	28
Prague	C	7	45
Reykjavik	F	-2	28
Rhodes	S	16	61
Rio de Janeiro	[illegible]	[illegible]	[illegible]
Rome	[illegible]	[illegible]	[illegible]
Salzburg	C	7	45
San Francisco	C	9	48
Seoul	F	5	41
Singapore	S	30	86
Stockholm	S	-2	28
Strasbourg	S	7	45
Sydney	S	28	77
Taipei	R	20	68
Tangier	[illegible]	[illegible]	[illegible]
Tel Aviv	[illegible]	[illegible]	[illegible]
Tenerife	S	20	68
Tokyo	B	7	45
Toronto	C	0	32
Tunis	S	13	55
Valencia	S	11	52
Venice	F	3	37
Vienna	F	10	50
Warsaw	F	1	34
Washington	[illegible]	1	34
Zurich	[illegible]	6	43

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

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FINANCIAL TIMES
COMPANIES & MARKETS
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Tuesday January 7 1992

INSIDE

Texas Homecare increases sales 15%

Ladbroke Group, the UK leisure company, said its Texas Homecare DIY subsidiary increased sales by more than 15 per cent between December 26 and January 4 compared with the same period last year. Mr Ron Trenter, chairman of Texas, described the result as "very encouraging" as it had come from 3 per cent more space. Page 23

Carclo suffers fall

Carclo Engineering, the UK group which manufactures for the textile, automotive and aviation industries, suffered a 33 per cent drop in interim pre-tax profits to £2.87m ($5.22m). Page 23

Food for thought

The British consumer has come to take an abundance of food for granted. But the country is still heavily dependent on imports. Farmers are concerned about this, partly because the food and drink sector has become the largest single contributor to the UK's trade deficit at £6bn ($11bn) – 42 per cent of the total. Many of these imports could be grown at home. Page 24

Nikkei starts strongly

The higher yen, lower bond yields and last week's record-breaking advance on Wall Street encouraged buyers on the first trading day of this year, and the Nikkei average soared 3.6 per cent in the half-day session. Page 36

Hercules labours hard

Mr Tom Gossage, the chief executive of Hercules, a rambling chemicals, materials and aerospace conglomerate based in Wilmington, Delaware, has two goals. They will not be easy to achieve. Page 23

World follows the US

The unanimity with which world equity markets followed the US lead in last week's rally is reflected in the fact that every single national component of the FT-Actuaries World Index rose in local currency terms. Page 36

Nymex goes electronic

Nymex, the world's largest energy futures market, will this year join the ranks of exchanges using electronic trading systems. Page 22

Telebras the star

Telebras, the state-run Brazilian telecommunications company, is forecasting net profits of more than $700m. The company has emerged as the clear rising star of Brazil's stock market. Page 24

Making history

Sachsenmilch, a small Dresden dairy concern, today becomes the first east German company to have its shares quoted on the German stock market. Page 20

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz Hld	1795	+	143
Asko Prf	697.5	+	17.5
Varta	271	+	5.5
Falls			
Didier-Werke	140.5	–	4.5
Karstadt	621.5	–	8.5
Zanders Feinp	238	–	10
NEW YORK ($)			
Rises			
Amer Express	21⅜	+	1
MCI Comms	33⅞	+	2½
Teledyne	24½	+	4½
Westinghouse	19¾	+	1⅝
Falls			
[illegible] Intl	30	–	3¼
Waste Management	44⅝	–	¾
PARIS (FFr)			
Rises			
Intertechnique	700	+	28
Radiotechn	499	+	19
Roussel-Uclaf	1880	+	100
Schneider	597	+	28
Falls			
Coparex	600	–	20
[illegible]	185	–	10
TOKYO (Yen)			
Rises			
[illegible]	1430	+	110
Kyowa Exeo	1180	+	90
Nissan Diesel	561	+	51
Okuma	1159	+	99
[illegible]	978	+	81
Falls			
Nippon Carbon	1660	–	190
LONDON (Pence)			
Rises			
BPB Inds	143	+	7
Bunzl	87	+	6
Christies Intl	180	+	10
[illegible]	338	+	27
Eurotunnel Uts	420	+	22
Evered	210	+	15
Harvey & Thom.	164	+	14
Kleinwort Bens.	273	+	13
[illegible]	177	+	7½
Royal Insce	283	+	10
Sanderson Ecl	132	+	6
South West Wtr	317	+	10
Transfer Tech	315	+	12
[illegible]	234	+	10
Whessoe	32	+	3
Falls			
Abbeycrest	78	–	14
Argos	256	–	15
BP	278	–	12½
Kingfisher	345	–	18
NatWest	270	–	15
Norweb	285	–	14
WB Inds	23	–	6

Mercedes to buy 31% stake in Avia

By **Ariane Genillard** in Prague

MERCEDES-BENZ, the German car, truck and bus maker is taking a 31 per cent stake in Avia, Czechoslovakia's third largest truck company.

The deal, the group's first significant move into eastern Europe, appears to confirm the skill of German companies in beating competitors in the race to acquire Czechoslovak companies.

Mercedes, part of the Daimler-Benz group, was chosen to partner Avia over Renault of France after 18 months of negotiations.

The French carmaker recently lost a bitter contest for control of the local carmaker Skoda which was won by Volkswagen. Siemens was last year chosen to partner Czechoslovakia's largest engineering firm, Skoda-Pilsen, beating Asea Brown Boveri, the Swiss-Scandinavian power group and Westinghouse of the US.

Mercedes planned to increase its share in Avia to a "significant majority stake" over the next three years, said Mr Vlastimil Devera, Avia's chairman.

Mercedes will invest DM350m ($221.5m) over the next three years in Avia's most profitable plant in Letnany, a suburb of Prague. A further DM100m investment is planned from 1995 to 1998.

Avia is Czechoslovakia's third largest truck company, with a 1991 turnover of Kcs4.1bn ($135.9m).

Mercedes intends to phase out Avia's production of small trucks, which average about 17,000 a year and are built under a 1967 licence from Saviem, now part of Renault.

Mercedes will instead manufacture two versions of its light and medium trucks.

Final approval for the deal must come from the Czechoslovak government before March 30. Under Czechoslovakia's large-scale privatisation programme, other competitive bids can still be submitted up to January 20, which explains reluctance to disclose the price for the share in Avia. If the deal is approved the venture would be created in July.

The country's two other truck companies, Liaz and Tatra Trucks, have begun negotiations with potential foreign partners including Mercedes, Renault and Iveco of Italy.

Mercedes could be a joint-venture partner in Liaz or Tatra. The German group has also shown interest in acquiring control of Karosa, the Czechoslovak bus and fire engines manufacturer in eastern Bohemia.

Jewellery retailer may have to renegotiate its banking covenants

Sales fears depress Ratners shares

Executives at Ratners Group accept they will almost certainly have to renegotiate the jewellery retailer's banking covenants this week following weak Christmas trading. However, analysts increasingly took the view yesterday that fears of a financial meltdown at the group had been wildly exaggerated.

After initially falling to 18p yesterday, the Ratners shares recovered to close at 21½p, a net ½p down on the day.

"We do not believe at this stage that there is a fundamental risk of the company going under but the shares will continue to look vulnerable until we know what, if any, restructuring is going to take place," said Mr Quintin Price, retail analyst at James Capel, the stockbrokers.

The Ratners board met all day yesterday to review the Christmas trading performance and the company will issue a statement on its prospects on Friday.

The company declined to comment before the announcement other than to dispel suggestions that its 1,000 store managers were holding a crisis meeting.

Ratners has suffered from poor levels of demand this Christmas in the UK and the US, where it runs the second-biggest jewellery chain. The company's extensive discounting campaigns – in addition to its normal rash of promotions – suggests it was trying to liquidate stocks and was running the business for cash to prevent its borrowings running out of control.

Although this may have helped prevent a drastic fall in volume sales it will have eroded margins. James Capel estimated a total pre-tax loss for the year of £35m ($65.5m) – although this includes £12m in exceptional costs relating to an anticipated rationalisation programme.

Trade in the US was also badly hit by low consumer confidence and difficulties at Zale, the biggest jewellery chain in the US. Officials at Sterling, the Ratners US business, would not comment on Christmas sales but the performance of other US retailers in December gives little cause for hope. Tiffany, the New York-based jewellery retailer, saw its US retail sales slide 3 per cent from a weak Christmas a year earlier.

The whole North American jewellery industry is in disarray as it waits for Zale to implement a reorganisation or file for Chapter 11 bankruptcy protection.

"When the largest company in any industry is in Zale's position, it adversely impacts the whole industry," said Mr Dick Miller, chief financial officer at Sterling. "We don't relish that Zale is in trouble, but in the longer term we should benefit from this."

Ratners Group

Share price (pence)

Source: Datastream

In spite of these worries, principal bankers for Ratners, Barclays and Midland, seem to be taking a fairly relaxed view of the situation and are making no move ahead of the trading statement. One banker said: "Ratners may break a banking covenant. But that in itself is no reason to panic. What we have to assess is how much cash the business is generating and is capable of generating. Only then will we need to discuss whether its debt has to be restructured. There has to be a serious possibility that Gerald Ratner will give up either his role of chairman or chief executive."

Analysts estimated the Ratners bank debts were about £200m-£250m although much of this was spread among several US institutions. Mr John Richards, retail analyst at County NatWest, brokers for Ratners, said: "The bankers will want to talk to the company but there is no immediate financial crisis or a need for a restructuring. Ratners does not have to go to its banks and say 'we need some more money'."

The company will come under pressure, however, to provide further details of its future strategy including any attempts to sell assets or close outlets. The company may also be forced to tidy up its debt structure; it has five different types of preference shares in issue. "I think that there may well be some kind of boring financial restructuring: maybe paying off the preference shareholders and converting their holdings into ordinary shares," said one analyst.

Jewellery manufacturers will also keenly await developments at Ratners, which controls more than 30 per cent of jewellery sales in the UK. Shares in Abbeycrest, one of its biggest suppliers, fell 14p to 78p.

According to Mr Patrick Fuller, chairman of the British Jewellers' Association, the trade group, Mr Ratner is respected for what he has achieved in the jewellery business, but not particularly liked.

The association's main criticism is that Ratners has been very aggressive in its buying, using its dominant position to dictate onerous terms to suppliers, many of which are relatively small companies.

Mr Fuller said Ratners did not place firm orders, but gave manufacturers "estimated requirements" – allowing Ratners to return the goods if they did not sell. Ratners refused to confirm it took goods on such a "sale-or-return" basis, saying it did not discuss its commercial relationship with suppliers.

In 1990, Ratners antagonised many suppliers by returning large amounts of stock during October and November. Mr Fuller said manufacturers kept their factories going all the year round, but made most of their profits in the last quarter of the year, so it was infuriating for them to have goods returned which they had supplied a few months earlier.

Mr Fuller said: "He got away with it once, but a lot of the bigger companies got together and said they were not prepared to deal with him again on that basis, so he had to change."

Excalibur, a quoted jewellery manufacturer, said it had been given a written assurance before Christmas that Ratners would not return any stock. If such assurances were widespread it helps explain the group's frantic price-cutting over Christmas.

John Thornhill
Andrew Bolger
Karen Zagor

Gerald Ratner: may have to give up some of his power

RATNERS' ACQUISITION RECORD 1984-1990

Date	Company	Location	Stores	Consideration
Dec '84	Terry's	UK	26	£4.25m (shares/loan)
Jul '86	H Samuel	UK	370	£149m (shares/cash)
Aug '87	Ernest Jones	UK	80	£25m (shares/cash)
Aug '87	Sterling	US	117	£126m (cash)
Sep '87	Westhall	US	71	£29.4m (convertible bonds)
May '88	Osterman's	US	56	£36m (shares)
May '88	Time (Jersey)	Jersey	21	£5.3m (cash)
Nov '88	Zales/Salisbury	UK	442*	£150.75m (shares/cash)
Aug '89	Ringmakers/Allen's	US	15	£12m (cash)
Oct '89	Weisfield's	US	87	£39.5m (cash)
Oct '90	Kay	US	426**	£236m (shares)

*including 73 Collingwood and Weir shops
**excluding Marcus department store concessions and Black Starr & Frost

SOURCE: Ratners

Eurotunnel hopes to settle costs dispute with TML

By **Charles Leadbeater**, Industrial Editor, in London

EUROTUNNEL hopes to present its board with a settlement of its costs dispute with Transmanche Link, the consortium building the Channel tunnel, in February.

Optimism about the prospects for a deal sent Eurotunnel shares higher in Paris and London, where Eurotunnel's units finished up 22p at 420p.

A deal to settle the dispute, mainly about the costs of completing the so-called lump-sum works at the tunnel's terminals, could be reached and presented to the Eurotunnel board in the second week of February.

A senior executive close to the talks said: "It is premature to say a deal is close. Nothing has happened over Christmas but the talks were going well and they have resumed in that spirit."

The Eurotunnel board is likely to be told this week a settlement will involve a trade-off between the amount Eurotunnel pays for the tunnel to be completed and the pace of the work.

Originally the tunnel was to open for full services on June 15 next year. However, it seems likely this could be delayed until September because of delays in delivering railway rolling stock.

TML, which brings together the 10 main contractors on the project, has told Eurotunnel it will co-operate with a revised and accelerated commissioning process as long as Eurotunnel responds positively to its claims to cover the extra costs of completing the work.

If Eurotunnel does not meet TML's claims it risks losing the builders' co-operation during the key commissioning process. This could delay the tunnel's opening.

TML is claiming about £1.27bn ($2.31bn) to cover the lump-sum works at 1985 prices, which Eurotunnel initially costed at about £625m. Eurotunnel has set aside an additional £450m which could be used to cover TML's claims.

Some of the £200m gap between the two sides is likely to be bridged by an agreement to defer some claims until next year.

The negotiating teams have agreed a procedure for settling the designs for the rest of the project to prevent changes generating further cost overruns.

The schedule for completing commissioning and testing of the tunnel's operating systems has been disrupted by delays in the delivery of engines and carriages for the shuttle services to be run by Eurotunnel and those British Rail plans to run with its continental partners.

London SE, Page 25

Barclay twins buy The European

By **Raymond Snoddy** in London

THE EUROPEAN newspaper, founded by the late Mr Robert Maxwell, one of Britain's most effective self-publicists, has been sold to the Barclay brothers, two of the country's most publicity-shy businessmen.

Mr David and Mr Frederick Barclay, the 58-year-old identical twins who own ships and hotels, announced yesterday that they had acquired their first newspaper. It is the first significant part of the collapsed Maxwell empire to be sold by the administrators.

"I think it's a question of timing. It's 1992 and this is an extremely exciting period for Europe and an exciting period for The European," said Mr Alan Chamberlain yesterday. He is a director of the brothers' main company Ellerman Investments, and the new managing director of The European.

The Barclays' interests range from the Gotaas-Larsen bulk shipping line to the Howard Hotel in London and the Mirabeau Hotel in Monte Carlo.

In the latest edition of the Sunday Times Book of the Rich however, they rank merely as super-rich in 18th position with a joint fortune of £450m ($819m).

The brothers read and admired the weekly newspaper now selling around 200,00 copies an issue. They were also impressed by the commitment of the staff who produced an issue without pay during the search for a buyer.

They also admired Mr Maxwell's vision of a pan-European newspaper and saw a business opportunity to acquire that vision at a fraction of the Maxwell cost structure. Mr Maxwell invested at least £50m in the venture. It is likely that the Barclays paid less than £5m. Mr Charles Garside, the new editor, is the first and, at the moment, only employee.

The Barclays have bought the title and equipment and it is not clear how many journalists will be hired.

The aim will be to make the paper more European and less a publication looking into Europe through British eyes. Opening a Brussels office is possible as well as distribution in Scandinavia and Japan. The brothers, it appears, like the editorial line but believe the business coverage could be improved.

If The European prospers there could be further moves into newspapers. But even then it is very unlikely that either of the Barclays will ever take to the public limelight in the manner of their predecessor as owner.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 07.01.92: Pool purchase price £/MWh	Final Prices for Trading on 18.12.91: Pool Purchase price £/MWh	Pool selling price £/MWh
0030	17.40	18.00	18.00
0100	19.38	18.00	18.00
0130	19.54	20.80	23.00
0200	19.54	20.80	22.98
0230	17.29	18.00	18.00
0300	17.17	18.00	18.00
0330	17.16	18.00	18.00
0400	17.13	18.00	18.00
0430	17.11	18.00	18.00
0500	17.11	18.00	18.00
0530	17.12	17.30	17.30
0600	17.12	17.30	17.30
0630	17.12	17.25	17.25
0700	17.31	17.30	17.30
0730	19.08	20.05	22.42
0800	19.08	23.85	28.41
0830	19.13	37.58	40.58
0900	19.27	37.72	40.78
0930	19.47	28.19	30.90
1000	27.71	28.09	30.78
1030	27.71	23.85	28.39
1100	19.47	23.81	28.34
1130	19.47	21.77	24.24
1200	19.47	23.86	28.41
1230	19.47	23.82	28.36
1300	19.47	23.74	28.23
1330	19.32	21.08	23.46
1400	17.54	20.76	23.13
1430	19.32	20.75	23.11
1500	19.47	20.76	23.12
1530	20.13	20.95	23.37
1600	21.92	37.82	45.28
1630	44.90	112.13	133.98
1700	64.86	188.92	217.83
1730	54.44	192.18	217.93
1800	41.44	125.83	143.72
1830	26.95	44.91	51.02
1900	21.11	26.86	30.07
1930	21.03	23.36	26.01
2000	20.75	21.25	23.85
2030	20.10	21.06	23.43
2100	19.76	20.74	23.10
2130	19.13	20.00	22.33
2200	19.08	19.56	21.88
2230	19.08	18.71	21.01
2300	17.18	17.25	17.28
2330	17.12	16.95	16.95
2400	17.12	17.06	17.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL COMPANIES AND FINANCE

Peak year for S&P downgrades

By Nikki Tait in New York

RECORD levels of corporate debt were last year downgraded by Standard & Poor's, one of the main Wall Street rating agencies. The figures underline the extent to which leverage taken on by companies in the 1980s is still compounding the recession.

S&P said yesterday downgrades covered $509.7bn of corporate debt, up from $500.1bn in 1990. It did, however, offer some hope when it disclosed that the ratio of downgrades to upgrades improved slightly. In 1990, 766 corporate debt issues were downgraded, while 200 were upgraded; in 1991, the figures were 696 and 220.

Although the figures cover all debt issues monitored by S&P on an international basis, the rating agency confirmed that most of the downgrades related to US-based corporate issuers.

In large part, problems in specific sectors explained the dismal picture. For example, S&P noted that debt of the "Big Three" car companies – Chrysler, Ford and General Motors – together with their related entities, amounted to $250m, nearly half the corporate debt downgraded.

In the troubled airline industry, ratings for seven of the 11 leading carriers not already in default were reduced. And in the financial sector, S&P said that institutions "continued to experience stress", although it added that the pace of downgrades had slowed.

It said that 352 debt issues by commercial banks, finance companies, insurers, and thrift and brokerage firms were downgraded last year, compared with 394 rating reductions in the previous year. Offsetting this, there were 40 upgrades, against 44 in 1990. Big US commercial banks which saw their ratings reduced included Wells Fargo and Security Pacific. A significant number of Japanese, British, French and Nordic banks also suffered downgrades.

In the troubled US life insurance industry, rating reductions outpaced improvements by a ratio of 25:2 – with the problems blamed largely on the quality of some investment portfolios, especially those with heavy property exposure.

The generally poor picture was mitigated slightly by some upgradings of former junk bond debt. The most prominent beneficiary was RJR Nabisco, the huge tobacco and food group, where $12bn of outstanding debt moved to investment grade status. Improvements were also seen at Safeway, the west coast supermarket group, and Owens Illinois, the fibreglass company.

Outside the corporate sector, the rating agency noted that municipal debt also suffered record rating reductions, with $53.1bn worth downgraded. The number of issues downgraded increased by 29 per cent last year, with eight states – California, Connecticut, New Jersey, Illinois, Maine, New Hampshire, Vermont and Rhode Island – seeing their debt ratings reduced.

Fujitsu, ICL in talks on marketing agreement

Alan Cane

FUJITSU, the Japanese electronics company, is in talks with ICL, the UK-based computer manufacturer in which it has an 80 per cent stake. The talks could lead to Fujitsu selling the ICL-designed and manufactured personal computers in Japan.

ICL said yesterday reports that such a deal had already been concluded were premature. However, it agreed that the two companies were discussing possible synergies.

Although Fujitsu has a controlling interest in ICL, the two companies operate at arms' length and marketing deals between them are struck on a purely commercial basis. An agreement to sell ICL personal computers in Japan would be mutually beneficial to both, ICL said.

The personal computer market in Japan is dominated by NEC. It and other Japanese makers, including Fujitsu, sell PCs of their own design in Japan. The world market for PCs, however, is dominated by systems of a design (MS/DOS) popularised by International Business Machines of the US.

Japanese manufacturers now accept they will have to open their home market to MS/DOS designs. ICL has substantial MS/DOS PC manufacturing capacity and expertise boosted by its acquisition of the computer interests of the Finnish company, Nokia Data, last year.

The deal would also underline the growing confidence Fujitsu is showing in its European partner. It already markets ICL's high-performance workstations in markets other than Japan. It said last year it intended to extend that policy to personal computers.

ICL, which uses Fujitsu microchip and printed circuit board technology for its mainframe computers, is now playing a part in the design of Fujitsu's large computers.

● Fujitsu has established a subsidiary in the US for the development of communications services, AP-DJ reports from Tokyo. Fujitsu said the wholly-owned company, Fujitsu Networks Industry, would be capitalised at $8m.

Computer piracy costs put at $4.5bn

By Alan Cane

COMPUTER software piracy in western Europe cost US suppliers a conservatively estimated $4.46bn in 1990, according to figures collected by the Software Publishers Association and the Business Software Alliance.

The two organisations represent the world's large personal software companies, most of which are US-based. Their estimate of losses from piracy are made by comparing the number of units of software sold in the year with the number of personal computers sold.

Typically, only a fraction of a software package is apparently sold for each personal computer, presenting compelling evidence of widespread piracy. In Italy, for example, one of the worst offenders, only half a software package was sold for each personal computer bought in 1990.

The SPA last year estimated that losses in the US from piracy came to $2.4bn in 1990.

The revenues lost in both the US and western Europe has has been expressed as the wholesale rather than retail value of the software, which explains why the overall loss is lower than the $12bn usually quoted as the worldwide losses experienced by software suppliers.

DAF expects losses to continue

By John Griffiths

DAF, the Dutch truck-maker, made another "very considerable" loss last year and will incur further losses in the first half of 1992, the company warned.

However, the start of recovery in some key markets and structural cost reductions should combine to achieve a "significant improvement" in DAF's financial performance for 1992 as a whole, said Mr Aart van der Padt, chairman.

Accelerated job losses and intensified restructuring measures, against the background of a severe slump in the UK and other key truck markets, required increased financial provisions, he said. As a consequence, it was too early to indicate the precise extent of the 1991 losses.

DAF, in which British Aerospace has a 16 per cent stake, plunged into a net loss of Fl 179.1m ($102.9m) in the first six months of the year, from a loss of Fl 32.1m in the corresponding 1990 period. It has had to raise Fl 250m in new equity to strengthen its balance sheet.

The slump in European truck sales – with the notable exception of Germany – has changed its fortunes with bewildering rapidity. DAF's net loss for 1990 reached Fl 227.6m, including restructuring costs of Fl 78m, and it failed to pay a dividend. Yet in 1989 it had made a record net profit of Fl 172m.

At the operating level, the second-half performance was improved compared with the first half and the corresponding period of 1990. It was only in December, however, that DAF made good its half-year forecast of reaching break-even point in the final quarter.

The stringent rationalisation and productivity measures being taken throughout the company mean that DAF will have shed some 4,600 jobs worldwide by 1993.

Listing for Dresden dairy company

By Our Financial Staff

SACHSENMILCH, a small Dresden dairy concern, today becomes the first east German company to have its shares quoted on the German stock market.

It is raising DM60m ($39m) through a flotation on the unlisted section of the Stuttgart bourse.

Sachsenmilch has been brought to the market by its new parent, the Stuttgart-based Südmilch, which wants to raise money for the subsidiary's future expansion.

The Dresden company, which employs 450 people, expects turnover to rise from DM296m to DM525m by 1995, when it hopes to make its first profit of some DM10m and pay its first dividend.

The shares of Sachsenmilch have been priced at DM80 each. The proceeds will go towards a new dairy, costing around DM260m. After the flotation, 49 per cent of Sachsenmilch's equity will be held by outside shareholders, with the rest owned jointly by Sachsenmilch and local milk producers in Saxony.

Analysts noted that Sachsenmilch's efficiency had been increased by the provision of capital and know-how from Südmilch.

Mr Jörg Walter, general manager of the Berlin Stock Exchange, said one or two more east German companies could be listed this year, and maybe as many as 100 within 10 years.

"We were all more optimistic at the start of 1990 that more companies would be listed – maybe too optimistic," he said.

INTERNATIONAL COMPANIES AND FINANCE

A mission to cut the labours of Hercules

Tom Gossage has been charged with refocusing the US group, writes **Paul Abrahams**

MR TOM GOSSAGE is a man with a mission. As the new chief executive of Hercules, a rambling chemicals, materials and aerospace conglomerate based in Wilmington, Delaware, he has set two goals. The first is to become cash-positive by 1992. The second is to increase the group's return on equity from 5 per cent to 14 per cent by the end of 1995.

His goals will not be easy to achieve. At his first board meeting last January as chief executive, Mr Gossage told his board he had searched the US chemical industry for a company worse than theirs for return on shareholders' capital. He couldn't find one.

Hercules's recent past is not one that shareholders remember with fondness. After selling a 40 per cent stake in a polypropylene joint venture to Montedison in 1987, Hercules frittered away the $1.55bn proceeds, says Mr Gossage.

A third disappeared in tax, a third was spent buying back stock, and a third was used to purchase some companies that would help the group escape the cyclical nature of the basic chemicals industry.

"Frankly, the group had been drifting," admits Mr Gossage. "There has been no real enhancement of shareholder value. Hercules's efforts to break out of cyclical businesses did not have much success."

To achieve his goals, Mr Gossage is examining every part of the business. "We are now returning to basics. We will operate where we can be market leaders and we will get out of things we are not good at," he says.

That strategy was put into practice last week when he set up a joint venture with Imcera, the US group, to create the second largest American company in the $2.6bn flavours and citrus specialities market. This is a sector where Mr Gossage believes Hercules can become market leader.

Simultaneously, he also announced the sale of Hercules's $30m turnover fragrance businesses to an unknown buyer. Mr Gossage says it was a promising business, but one that needed substantial investment that Hercules could not afford.

The company is undertaking a widespread and unemotional examination of its business with a view to disposals. Both the polypropylene fibre business and the resins operations could be available for the right price.

Although Hercules is continuing to make some investments in polypropylene fibre, a $170m business providing material for the disposable nappies business, Mr Gossage believes its performance has been unsatisfactory.

Similarly, the group's resins business had been "disappointing", according to Mr Gossage. At the beginning of the year, he told its managers that if there was no improvement the operations would be sold. The staff has been reduced by about half, and the division is far more aggressive about pricing.

"The resins operations can contribute, but I still view their future as questionable. If someone came along with a price above book value I might sell them. We're keeping our options open," he says.

'We will operate where we can be leaders and we will get out of things we are not good at'

Meanwhile, Mr Gossage is looking for strategic partners for his other divisions. In particular, he is looking at an alliance for the advanced materials operations which is having to reposition itself after the collapse of the US defence market.

Previously, the division had been geared mainly towards high-value defence contracts. It is now turning its attention to commercial aircraft projects, such as the Boeing 777, and the sporting goods market.

Mr Gossage argues the company now has a simple clear direction. When he visited factories earlier this year, some production supervisors were unable to tell him whether particular products were making money.

That has changed. Mr Gossage aims to make cost management a way of life at Hercules. To achieve that, he talks about "empowerment" by putting accountability on to the factory floor.

The management shake-up and sales of less profitable businesses has already made some impact on Hercules' performance. But when Mr Gossage lists the financial achievements of his tenure, he is forced to exclude a large hole in his balance sheet.

Last June, the company's aerospace division had to write off $68m after the company's solid rocket booster for the Titan missile exploded during a test firing. The explosion has been described by one Hercules executive as the biggest firecracker in American history. The company had already been forced to write off $300m in 1987 for the same project, described by Mr Gossage as the company's Achilles' heel.

Mr Gossage reels off what the impact of reorganisation and restructuring would have been without that incident.

Operating profits this year would have been up 32 per cent. Net income would have grown 11 per cent. And return on shareholder capital would have been 7.3 per cent, up from 5 per cent.

There is no doubt that Mr Gossage, a chemical engineer, has a preference for chemicals. He stumbles over the name of the European airframe manufacturer, Airbus, and does not know the title of Boeing's latest aircraft, for which Hercules is bidding as a sub-contractor.

"I have spent a disproportionate amount of time on aerospace. It's an imbalance I want to fix," he says. "Chemicals and aerospace makes a strange mixture."

However, before he can dispose of aerospace, he says he first needs to show that the Titan upgrade is viable. He says he then needs to fix the rocket booster before seeing whether the operations fit into the portfolio.

Only then will he make a decision whether to spin the operations off, form a joint venture or just sell them.

Mr Gossage believes the targets he has set for Hercules are achievable. "Even 14 per cent return on equity would not make us leaders – we would be part of the pack. But the rest of the industry is proving remarkably accommodating by bringing their results down," he explains.

Raising the company's performance while the rest of the industry struggles with the recession and increasing environmental costs will need considerable skill. To achieve his aims, Mr Gossage has some difficult juggling before him.

R.J. Reynolds plans plant

By Nikki Tait in New York

R.J. REYNOLDS Tobacco, part of the RJR Nabisco food and tobacco group, announced yesterday that it plans to build a factory in Turkey to produce cigarettes by late-1993.

The North Carolina company says the plant will have an eventual production capacity of 10bn cigarettes a year. The 135,000 sq ft plant will be sited in the Izmir region. The company said that it had earmarked more than $100m for investment in Turkey over the next decade.

Turkey is a big market for cigarettes, and consumption is estimated at 80bn a year. However, it is still dominated by Tekel, the state-owned monopoly. The market was only opened to foreign cigarettes in the mid-1980s, but western products have taken an increasing market share. Philip Morris, RJR's big US competitor and manufacturer of Marlboro, has been successful.

RJR, however, said that it saw opportunities for its three brands – Camel, Winston, and Salem. It expects to employ 300 people initially at the factory, but said employment could eventually total about 800.

Mr Dale Sisel, head of R.J. Reynolds Tobacco International, said: "It's a large market, with significant demand for American-blend cigarettes, and there's plenty of opportunity for us to become a major participant."

Toronto invites bids for 53% of Telesat Canada

By Bernard Simon in Toronto

THE Canadian government yesterday called for private sector bids for its 53 per cent stake in Telesat Canada, which has a monopoly on the country's satellite communications.

As with earlier privatisations, foreign ownership will be restricted, in this case to a 20 per cent holding. The sale will be subject to review under the Competition Act.

Telesat owns and operates six satellites and a network of about 500 earth stations. It earned C$26.4m (US$23m) in fiscal 1990 from revenues of C$177.8m.

Fall in Japanese M&A

By Emiko Terazono in Tokyo

MERGERS and acquisitions (M&A) by Japanese companies fell sharply last year, reflecting the squeeze on liquidity due to the sluggish stock market and declines in profits, as well as deteriorating business conditions of companies in the US and Europe.

According to Daiwa Securities, a leading Japanese brokerage, last year's M&A deals fell 63.5 per cent by value from 1990 to Y1,297.1bn ($10.3bn).

This was because of the decline in acquisitions of foreign companies by Japanese companies, which plunged 78.6 per cent to Y684.3bn.

Although the figure includes the Y133bn limited partnership between Toshiba, C. Itoh and Time Warner of the US, the absence of large-value transactions of the previous years, such as the Sony-Columbia and Matsushita Electric Industrial-MCA deals caused the fall.

Acquisitions of US companies by Japanese corporations fell 81.3 per cent by value to Y382.2bn, while in Europe the figure fell by 70 per cent to Y217.2bn. In the UK, M&A transactions by Japanese companies fell 81.2 per cent to Y88.2bn.

On the other hand, Daiwa said domestic M&A transactions increased by 28.4 per cent to Y434.9bn, while foreign acquisitions of Japanese companies were eight times higher by value at Y177.9bn.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 6 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	52.8769	34.8245	42.6423
Albania	(Lek)	10.1325	5.3982	3.5552	4.3533
Algeria	(Dinar)	39.3530	20.9659	13.808	16.9078
Andorra	(Fr Fr)	9.7275	5.1824	3.4131	4.1793
	(Sp Peseta)	181.05	96.4571	63.5263	77.7873
Angola	(Kwanza)ф	337.765	179.949	118.514	145.119
Antigua	(E Carr $)	5.0477	2.6892	1.7711	2.1687
Argentina	(Peso)ф	1.85775	0.9897	0.6518	0.7981
Aruba	(Florin)	3.3464	1.7828	1.1741	1.4377
Australia	(Aus $)	2.4535	1.3071	0.8608	1.0541
Austria	(Schilling)	20.04	10.6766	7.0315	8.61
Azores	(Port Escudo)	249.00	132.658	87.3684	106.982
Bahamas	(Bahama $)	1.8770	1	0.6585	0.8064
Bahrain	(Dinar)	0.7026	0.3743	0.2465	0.3018
Balearic Is	(Sp Peseta)	181.05	96.4571	63.5263	77.7873
Bangladesh	(Taka)	70.8190	37.7298	24.8487	30.427
Barbados	*(Barb $)*	*3.7601*	*2.0032*	*1.3193*	*1.6155*
Belgium	(Belg Fr)	58.75	31.2999	20.614	25.2416
Belize	(B $)	3.7390	1.992	1.3119	1.6064
Benin	(CFA Fr)	486.37	259.121	170.656	208.967
Bermuda	(Bermudian $)	1.8770	1	0.6585	0.8064
Bhutan	(Ngultrum)	48.3817	25.776	16.976	20.7869
Bolivia	(Boliviano)	6.9919	3.725	2.4532	3.004
Botswana	(Pula)	3.8848	2.0696	1.363	1.669
Brazil	(Cruzeiro)	2111.62	1125	740.919	907.248
Brunei	(Brunei $)	3.04325	1.6213	1.0677	1.3074
Bulgaria	(Lev)	32.24	17.1763	11.3122	13.8517
Burkina Faso	(CFA Fr)	486.37	259.121	170.656	208.967
Burma	(Kyat)	10.7573	5.7311	3.7744	4.6218
Burundi	(Burundi Fr)	351.25	187.134	123.246	150.913
Cambodia	(Riel)	1402.125	747.003	491.974	602.417
Cameroon	(CFA Fr)	486.37	259.121	170.656	208.967
Canada	(Canadian $)	2.1440	1.1422	0.7522	0.9211
Canary Is	(Sp Peseta)	181.05	96.4571	63.5263	77.7873
Cp. Verde	(CV Escudo)	123.4618	65.7761	43.3199	53.0448
Cayman Is	(CI $)	1.5517	0.8266	0.5444	0.6666
Cent.Afr. Rep	(CFA Fr)	486.37	259.121	170.656	208.967
Chad	(CFA Fr)	486.37	259.121	170.656	208.967
Chile	(Chilean Peso)	737.10	392.701	258.632	316.692
China	(Renminbi Yuan)	10.0620	5.3606	3.5305	4.323
Colombia	(Col Peso)	1167.035	621.755	409.486	501.411
Comoros	(CFA Fr)	486.37	259.121	170.656	208.967
Congo (Brazz)	(CFA Fr)	486.37	259.121	170.656	208.967
Costa Rica	(Colon)	253.1303	134.859	88.8176	108.756
Côte d'Ivoire	(CFA Fr)	486.37	259.121	170.656	208.967
Cuba	(Cuban Peso)	1.4160	0.7543	0.4968	0.6083
Cyprus	*(Cyprus £)*	*0.8125*	*0.4328*	*0.285*	*0.349*
Czechoslovakia	(Koruna)	52.23c	27.8263	18.3263	22.4403
		50.40a	26.8513	17.6842	21.6541
Denmark	(Danish Kroner)	11.0850	5.9057	3.8894	4.7626
Djibouti Rep	(Djib Fr)	313.00	166.755	109.825	134.479
Dominica	(E Carrib $)	5.0477	2.6892	1.7711	2.1687
Dominican Rep	(D Peso)	23.6866	12.6193	8.311	10.1768
Ecuador	(Sucre)	2375.39o	1265.52	833.47	1020.58
		2435.02a	1297.29	854.393	1046.2
Egypt	(Egyptian £)	6.1780	3.2914	2.1677	2.6543
El Salvador	(Colon)	15.01165	7.9976	5.2672	6.4496
Equat'l Guinea	(CFA Fr)	486.37	259.121	170.656	208.967
Ethiopia	(Ethiopian Birr)	3.8423	2.047	1.3481	1.6508
Falkland Is	*(Falk £)*	*1.00*	*0.5327*	*0.3508*	*0.4296*
Faroe Is	(Danish Kroner)	11.0850	5.9057	3.8894	4.7626
Fiji Is	(Fiji $)	2.7480	1.464	0.9642	1.1806
Finland	(Markka)	7.7210	4.1134	2.7091	3.3172
France	(Fr)	9.7275	5.1824	3.4131	4.1793
Fr. Cty/Africa	(CFA Fr)	486.37	259.121	170.656	208.967
Fr. Guiana	(Local Fr)	9.7275	5.1824	3.4131	4.1793
Fr. Pacific Is	(CFP Fr)	175.00	93.2338	61.4035	75.1879
Gabon	(CFA Fr)	486.37	259.121	170.656	208.967
Gambia	(Dalasi)	17.4237	9.2827	6.1135	7.486
Germany	(D-Mark)	2.8500	1.5183	1	1.2244

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	729.105	388.442	255.826	313.257
Gibraltar	(Gib £)	1.00	0.5327	0.3508	0.4296
Greece	(Drachma)	328.40	174.96	115.228	141.096
Greenland	(Danish Krone)	11.0850	5.9057	3.8894	4.7626
Grenada	(E Carr $)	5.0477	2.6892	1.7711	2.1687
Guadaloupe	(Local Fr)	9.7275	5.1824	3.4131	4.1793
Guam	(US $)	1.8770	1	0.6585	0.8064
Guatemala	(Quetzal)	9.48435	5.0529	3.3278	4.0748
Guinea	(Fr)	1518.58	809.046	532.835	652.451
Guinea-Bissau	(Peso)	9347.50	4980.02	3279.82	4016.11
Guyana	(Guyanese $)	226.6956	120.775	79.5423	97.3987
Haiti	(Gourde)	9.3475	5	3.2798	4.0161
Honduras	(Lempira)	10.20355	5.436	3.5801	4.3838
Hong Kong	(HK $)	14.5310	7.7416	5.0985	6.2431
Hungary	(Forint)	141.38	75.3223	49.607	60.7432
Iceland	(Icelandic Krona)	104.267	55.5498	36.5849	44.7978
India	(Indian Rupee)	48.3817	25.776	16.976	20.7869
Indonesia	(Rupiah)	3706.565	1974.73	1300.55	1592.51
Iran	(Rial)	119.00o	63.399	41.7543	51.1278
		2635.0v	1403.84	924.561	1132.12
Iraq	(Iraqi Dinar)	0.5936	0.3162	0.2082	0.255
Irish Rep	(Punt)	1.0715	0.5708	0.3759	0.4603
Israel	(Shekel)	4.2786	2.2794	1.5012	1.8382
Italy	*(Lira)*	2152.00	1146.51	755.088	924.597
Jamaica	(Jamaican $)	35.785	19.0649	12.5561	15.3748
Japan	(Yen)	232.75	124.001	81.6666	100
Jordan	(Jordanian Dinar)	1.2493	0.6655	0.4383	0.5367
Kenya	(Kenya Shilling)	52.4395	27.9379	18.3998	22.5303
Kiribati	(Australian $)	2.4535	1.3071	0.8608	1.0541
Korea North	*(Won)*	1.8134	0.9661	0.6362	0.7791
Korea South	(Won)	1407.575	749.907	493.886	604.758
Kuwait	(Kuwaiti Dinar)	0.53230	0.2835	0.1867	0.2287
Laos	(New Kip)	1317.9975	702.183	462.455	566.272
Lebanon	(Lebanese £)	1647.20	877.571	577.965	707.712
Lesotho	(Maluti)	5.13875	2.7377	1.803	2.2078
Liberia	(Liberian $)	1.8770	1	0.6585	0.8064
Libya	*(Libyan Dinar)*	*0.5035*	*0.2682*	*0.1766*	*0.2163*
Liechenstein	(Swiss Fr)	2.5300	1.3478	0.8877	1.087
Luxembourg	(Lux Fr)	58.75	31.2999	20.614	25.2416
Macao	(Pataca)	15.0151	7.9995	5.2684	6.4511
Madagascar	(MG Fr)	2890.75	1540.09	1014.3	1242
Madeira	(Port Escudo)	249.00	132.658	87.3684	106.982
Malawi	(Kwacha)	4.9261	2.6244	1.7284	2.1164
Malaysia	*(Ringgit)*	*5.08175*	*2.7073*	*1.783*	*2.1833*
Maldive Is	(Rufiya)	20.0448	10.6791	7.0332	8.6121
Mali Rep	(CFA Fr)	486.37	259.121	170.656	208.967
Malta	(Maltese £)	0.5670	0.302	0.1989	0.2436
Martinique	(Local Fr)	9.7275	5.1824	3.4131	4.1793
Mauritania	(Ouguiya)	155.9163	83.0667	54.7074	66.9887
Mauritius	(Maur Rupee)	27.50	14.651	9.6491	11.8152
Mexico	(Mexican Peso)	5759.40a	3068.41	2020.84	2474.5
Miquelon	(Local Fr)	9.7275	5.1824	3.4131	4.1793
Monaco	(French Fr)	9.7275	5.1824	3.4131	4.1793
Mongolia	(Tugrik)	78.5190	41.8321	27.5505	33.7353
Montserrat	(E Carr $)	5.0477	2.6892	1.7711	2.1687
Morocco	(Dirham)	14.96	7.9701	5.2491	6.4274
Mozambique	(Metical)	3436.03	1830.6	1205.62	1476.27
Namibia	(S A Rand)	5.13875	2.7377	1.803	2.2078
Nauru Is	(Australian $)	2.4535	1.3071	0.8608	1.0541
Nepal	(Nepalese Rupee)	79.8108	42.5204	28.0037	34.2903
Netherlands	(Guilder)	3.2125	1.7115	1.1271	1.3802
N'nd Antilles	(A/Guilder)	3.3464	1.7828	1.1741	1.4377
New Zealand	(NZ $)	3.4160	1.8199	1.1985	1.4676
Nicaragua	(Gold Cordoba)	9.3475	4.98	3.2798	4.0161
Niger Rep	(CFA Fr)	486.37	259.121	170.656	208.967
Nigeria	(Naira)	17.7976	9.4819	6.2447	7.6466
Norway	(Nor. Krone)	11.2200	5.9776	3.9368	4.8206
Oman	(Rial Omani)	0.7175	0.3822	0.2517	0.3082

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	45.9620	24.4869	16.127	19.7473
Panama	(Balboa)	1.8770	1	0.6585	0.8064
Papua New Guinea	(Kina)	1.7755	0.9459	0.6229	0.7628
Paraguay	*(Guarani)*	*2455.25*	*1308.07*	*861.491*	*1054.89*
Peru	(New Sol)	1.7700	0.9429	0.621	0.7604
Philippines	(Peso)	48.8698	26.0361	17.1472	20.9966
Pitcairn Is	(£ Sterling)	1.00	0.5327	0.3508	0.4296
	(NZ $)	3.4160	1.8199	1.1985	1.4676
Poland	(Zloty)	19539.00	10409.7	6855.79	8394.84
Portugal	(Escudo)	249.00	132.658	87.3684	106.982
Puerto Rico	*(US $)*	*1.8770*	*1*	*0.6585*	*0.8064*
Qatar	(Riyal)	6.7832	3.6138	2.38	2.9143
Reunion Is. de la	(F/Fr)	9.7275	5.1824	3.4131	4.1793
Romania	(Leu)	355.95g	189.638	124.895	152.932
Rwanda	(Fr)	219.54	116.963	77.0315	94.3243
St Christopher	(E Carr $)	5.0477	2.6892	1.7711	2.1687
St Helena	(£)	1.00	0.5327	0.3508	0.4296
St Lucia	(E Carr $)	5.0477	2.6892	1.7711	2.1687
St Pierre	(French Fr)	9.7275	5.1824	3.4131	4.1793
St Vincent	(E Carr $)	5.0477	2.6892	1.7711	2.1687
San Marino	(Italian Lira)	2152.00	1146.51	755.088	924.597
Sao Tome	(Dobra)	448.68	239.041	157.432	192.773
Saudi Arabia	(Riyal)	6.9895	3.7237	2.4524	3.003
Senegal	(CFA Fr)	486.37	259.121	170.656	208.967
Seychelles	(Rupee)	9.4363	5.0273	3.3109	4.0542
Sierra Leone	(Leone)	763.10	406.553	267.754	327.863
Singapore	($)	3.04325	1.6213	1.0677	1.3074
Solomon Is	($)	5.2170	2.7794	1.8305	2.2414
Somali Rep	(Shilling)	4898.09	2609.53	1718.63	2104.44
South Africa	(Rand)	5.13875c	2.7377	1.803	2.2078
		5.8980g	3.1422	2.0694	2.534
Spain	*(Peseta)*	*181.05*	*96.4571*	*63.5263*	*77.7873*
Spanish Ports in N Africa	(Sp Peseta)	181.05	96.4571	63.5263	77.7873
Sri Lanka	(Rupee)	79.7488	42.4873	27.982	34.2637
Sudan Rep	(£)	28.0425	14.94	9.8394	12.0483
Surinam	(Guilder)	3.3371	1.7778	1.1709	1.4337
Swaziland	(Lilangeni)	5.13875	2.7377	1.803	2.2078
Sweden	*(Krona)*	*10.3900*	*5.5354*	*3.6456*	*4.464*
Switzerland	(Fr)	2.5300	1.3478	0.8877	1.087
Syria	(£)	39.2595	20.916	13.7752	16.8676
Taiwan	($)	48.15	25.6526	16.8947	20.6874
Tanzania	(Shilling)	434.28	231.369	152.379	186.586
Thailand	(Baht)	47.1626	25.1265	16.5482	20.2632
Togo Rep	(CFA Fr)	486.37	259.121	170.656	208.967
Tonga Is	(Pa Anga)	2.4535	1.3071	0.8608	1.0541
Trinidad/Tobago	($)	7.9454	4.233	2.7878	3.4137
Tunisia	(Dinar)	1.6215	0.8638	0.5689	0.6966
Turkey	(Lira)	9563.70	5095.21	3355.68	4109
Turks & Caicos	(US $)	1.8770	1	0.6585	0.8064
Tuvalu	(Australian $)	2.4535	1.3071	0.8608	1.0541
Uganda	(New Shilling)	1715.21	913.804	601.828	736.932
U A E	(Dirham)	6.84375	3.646	2.4012	2.9403
United Kingdom	(£)	1.00	0.5327	0.3508	0.4296
United States	(US $)	1.8770	1	0.6585	0.8064
Uruguay	(Peso)	4644.71	2474.54	1629.72	1995.58
USSR	(Rouble)	1.0290o	0.5482	0.361	0.4421
		3.0870c	1.6446	1.0831	1.3263
Vanuatu	(Vatu)	203.50	108.418	71.4035	87.4328
Vatican	(Lira)	2152.00	1146.51	755.088	924.597
Venezuela	*(Bolivar)*	*113.4708*	*60.4532*	*39.8143*	*48.7522*
Vietnam	(Dong)	24210.02	12898.3	8494.74	10401.7
Virgin Is-British	(US $)	1.8770	1	0.6585	0.8064
Virgin Is-US	(US $)	1.8770	1	0.6585	0.8064
Western Samoa	(Tala)	4.5113	2.4034	1.5829	1.9382
Yemen (Rep of)	(Rial)	24.21	12.8982	8.4947	10.4017
Yemen (Rep of)	(Dinar)	0.8693	0.4631	0.305	0.3734
Yugoslavia	*(Dinar)*	*36.9248*	*19.6722*	*12.956*	*15.8645*
Zaire Rep	(Zaire)	117760.00	62738.4	41319.3	50595.1
Zambia	(Kwacha)	164.89	87.8476	57.8561	70.8442
Zimbabwe	($)	9.4690	5.0447	3.3224	4.0683

Special Drawing Rights January 3, 1992 United Kingdom £0.766444 United States $1.42482 Germany D Mark 2.19237 Japan YenN/A
European Currency Unit Rates January 6, 1992 United Kingdom £0.714768 United States $1.33697 Germany D Mark 2.03822 Japan Yen166.600

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; ‡Argentina 1/1/1992: Austral redenominated as the peso. One peso-equivalent to 10,000 australs-now equal to one US Dollar. фAngola: Kwanza devalued by approx. 100pc. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday January 6, 1992

INT'L COMPANIES AND MARKETS

Telebras confident of 15% growth in profits

Victoria Griffiths in Sao Paulo examines a stellar stock market performance by Brazil's state-run telecommunications company which is expected to be fully privatised by 1993

WHILE most Brazilian companies are saying their 1991 results will *be the worst in at least a* decade, Telebras, the 20 per cent state-owned telecommunications company, is forecasting a 15 per cent rise in net profits to over $700m.

The company has emerged as the clear rising star of Brazil's stock market, where about 80 per cent of its shares are traded. Foreign interest in Telebras pushed stock prices up nearly 11 times in dollar terms in 1991.

From 11th place at the beginning of last year, the company has become the largest publicly-traded group in the country, with a market capitalisation of about $46bn, compared with $15.4bn at the end of 1990. Telebras also chalked up a stellar performance in the international capital markets over the past few months, easily raising $300m in Eurobond issues.

The group plans to capture another $1.3bn in 1992 in American Depository Receipts. Behind the phenomenal rise in Telebras' share price is the *expectation that the group will* be fully privatised by 1993.

Chile, Mexico, Argentina and Venezuela have already privatised their telephone systems with notable success. Brazil's constitution currently prevents such a move, but that may soon change.

Brazilian public opinion and 55 per cent of the country's congressmen are behind a sell-off. Investor confidence also reflects some more immediate changes. The company has begun to tackle some chronic problems.

One is a nation-wide shortage of telephone lines. Anyone wanting to sign up for service has to purchase $2,000 to $3,000 of Telebras stock, and even then faces a two-year wait for installation.

Black market telephone exchanges have sprung up in Brazilian cities, where buyers pay up to $10,000 for a telephone line. In 1991, Telebras inaugurated a record 400,000 lines and began to contract out *installation* to private companies.

Mr Jose Ignacio Ferreira, Telebras president, said on completion of a new telephone system in Minas Gerais by private construction groups: "We will not only tolerate private investment [in the sector], we want to attract it."

According to new telecom*munications rules*, the *private* groups install the telephone systems at the request of a region or neighbourhood then deliver the completed system *to Telebras for operation.*

Mr Delson Siffert, a telecommunications consultant, said: "*The private sector* should be able to cover a lot of the demand for new lines that Telebras *cannot meet.*" Private companies have installed major systems in several Brazilian states, and are also getting involved in the building of data transmission and mobile telephone networks around the country.

New instalments still fall far short of demand. There is an estimated backlog of 6m lines in Brazil, and demand is expected to increase by 1m new lines a year for the next decade.

With an investment budget of $3.9bn next year, however, compared with an annual budget of just $2.5m over the past few years, telephone installation will continue to accelerate. And with the network expanding rapidly, the company can look forward to surging revenues from telephone usage.

The company has also made headway in dealing with another long-term problem – low local telephone rates. International telephone calls from Brazil are among the most expensive in the world, and domestic long-distance calls are higher-priced than average, but much of the revenue from these services is used to subsidise local telephone usage.

In 1989, real local telephone rates were just 20 per cent of the level they were at in the *1970s. Overall tariffs more than* doubled in real terms in 1990 and 1991, and should continue to rise in 1992.

Telebras has also managed to improve *significantly* the quality of its service. Two years ago, Brazilian callers failed to get a dial tone one out of every three *times they* picked up the telephone.

That rate is now just one in seven. The company also managed to reduce its workforce from 93,000 to less than 90,000 over the past two years. There's still plenty of room for improvement.

Despite the lay-offs, Telebras is still one of the least efficient companies in the industry with 99 employees per 10,000 access lines, compared with 88 in Mexico and 93 in Chile. Quality of service is still inferior to international standards.

Local rates are too low and international rates too high, and the group still faces an acute shortage of telephone lines.

But the fact that the company is heading in the right direction will probably assure profit growth for some time to come.

And if Brazil follows the example of its neighbours in privatising the sector, Telebras could become one of the biggest success stories of Latin America.

Orix to securitise part of its income

ORIX, the largest leasing company in Japan, will securitise the income from part of its business in the domestic market to diversify ways of raising cash, Reuter reports from Tokyo.

This will be the first time for a non-bank to sell securities directly in Japan without the help of financial institutions.

The first securities, totalling Y3bn ($24m), will be sold to investors through an Orix subsidiary yet to be established.

The subsidiary will sell to investors the right to the income from a particular leasing contract which Orix has signed with a client. The investors will then receive the income from the contract.

The minimum security will be Y50m. Orix hopes to start selling the securities within a few months.

Some Japanese leasing companies now securitise part of their assets through trust banks and are searching for new methods of raising funds to ease financial tightness.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 6

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107	108	-⅛	6.07
ALBERTA PROVINCE 9 3/8 95	600	110¼	110⅝		6.25
AUSTRIA 8 1/2 00	400	107⅝	108		7.22
BANK OF TOKYO 8 3/8 96	100	105⅜	105¾	+⅛	6.86
BELGIUM 9 5/8 98	250	112⅞	113¼	-⅛	7.10
BFCE 7 3/4 97	150	104⅜	105	-⅛	6.71
BNP 8 5/8 94	300	107	107⅜	+⅛	5.61
BRITISH GAS 8 3/8 99	350	106⅝	107⅛	+⅛	7.19
CANADA 9 96	1000	110	110¼		6.18
CARCO 9 1/4 96	*650*	*104⅞*	*105⅜*	+⅛	*8.12*
CCCE 9 1/4 95	300	109⅝	110	+⅛	5.81
COUNCIL EUROPE 8 96	100	106	106⅜	-⅛	6.43
CREDIT FONCIER 9 1/2 99	300	112⅞	113¼		7.13
DENMARK 8 1/4 94	150	106⅜	106⅝		5.54
DENMARK 9 1/4 95	1571	109⅛	109⅜	+⅛	5.90
ECSC 8 1/4 96	193	107¼	107⅝	+⅛	6.47
EEC 8 1/4 96	100	106⅞	107⅜		6.41
EIB 7 3/4 96	250	105¼	105⅝		6.39
EIB 9 1/4 97	1000	111⅜	111¾		6.77
ELEC DE FRANCE 9 98	200	109⅞	110¼	-⅛	7.00
EURO CRED CARD TST 9 94	325	104⅞	105⅜		7.13
EUROFIMA 9 1/4 96	100	109⅝	110⅛		6.53
EXPORT DEV CORP 9 1/2 98	150	112⅛	112⅜		7.05
FINLAND 7 7/8 97	200	104¼	105¼	-⅛	6.85
FINNISH EXPORT 9 3/8 95	*200*	*110¼*	*110⅝*	-⅛	*6.29*
FORD CAPITAL 9 3/4 97	250	106½	107⅛		8.19
GEN ELEC CAPITAL 9 3/8 96	300	109⅜	109¾	-⅛	6.83
GMAC 9 1/8 96	200	104⅝	105⅛	-⅛	7.77
GUINNESS FINANCE 8 94	200	105	105½		5.78
IBM INTL FIN 7 3/4 94	200	104⅝	105	+⅛	5.52
IND BK JAPAN FIN 7 7/8 97	200	103⅞	104¼	+⅛	7.02
INTER AMER DEV 7 5/8 96	200	104⅝	105		6.44
ITALY 8 1/2 94	1500	107¼	107⅝		5.57
JAPAN DEV BK 8 94	150	105½	105⅞	+⅛	5.44
KANSAI ELEC PWR 10 96	350	111⅞	112½		6.67
LTCB FIN 8 97	300	103⅞	104¼	+⅛	7.12
NEW ZEALAND 9 94	850	107⅝	108		5.79
NIPPON CRED BK 10 3/8 95	150	111	112¼		6.72
NIPPON TEL & TEL 9 3/8 95	200	109½	110		6.01
ONTARIO 8 1/2 01	600	106	106⅜	+⅛	7.56
ONTARIO HYDRO 11 5/8 94	200	111¼	112	-⅛	5.75
OSTER KONTROLLBANK 8 1/2 01	200	107¼	107¾	+⅛	7.34
PETRO-CANADA 7 1/4 96	200	102½	103¼	-⅛	6.56
QUEBEC HYDRO 9 3/4 98	150	111⅜	112¼		7.45
QUEBEC PROV 9 98	200	107¾	108½		7.37
SAINSBURY 9 1/8 96	150	108⅜	109¼	-⅛	6.94
SAS 10 99	200	108	109¼	-⅛	8.45
SBAB 9 1/2 95	500	109⅞	110¼		6.17
SNCF 9 1/2 98	150	112	112½		7.12
STATE BK NSW 8 1/2 96	200	105⅞	106½	-⅛	6.91
SWEDISH EXPORT 8 3/8 96	700	107¼	107⅝		8.72
TOKYO ELEC POWER 8 3/4 96	300	108⅜	108¾	+⅛	6.58
TOKYO METROPOLIS 8 1/4 96	200	106⅞	107⅜		6.54
WORLD BANK 8 3/8 99	1500	108⅛	108⅝		7.12
WORLD BANK 8 3/4 97	1500	110⅛	110½		6.51
XEROX CORPN 8 3/8 96	100	104	105¼	+⅛	7.33

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	100½	101	+⅛	10.92
BK ECON USSR 7 96	750	66⅞	67¼	+⅛	19.05
BULGARIAN TRADE BK 8 1/2 96	200	81⅛	82¼	-⅛	14.18
CZECH OBCHODNI BANKA 10 95	350	96	96¼	+⅛	11.38
DEUTSCHE FINANCE 7 1/2 95	1000	97⅛	97¼	+⅛	8.56
EIB 5 3/4 98	400	88	89		8.28
EIB 6 7/8 95	300	95⅜	95⅞	+⅛	8.15
EUROFIMA 6 1/4 98	400	90	90	+⅛	8.28
FIRST INTERSTATE 5 3/4 96	100	85¼	85⅝	+⅛	10.14
IND BK JAPAN FIN 5 5/8 96	200	90	90		8.48
IND DEV BK INDIA 6 3/8 94	200	88⅜	88¼		11.03
LUFTHANSA INT FIN 5 7/8 98	500	87	87	+⅛	8.63
NACIONAL FINANCIERA 11 95	*150*	*101¼*	*101⅝*		*10.55*
NAT BK HUNGARY 8 96	200	90⅜	90⅝	-⅛	10.63
QUEBEC HYDRO 6 3/4 99	300	90	90	+⅛	8.66
SWEDEN 6 1/8 98	300	90	90	+⅛	8.24
WORLD BANK 0 15	2000	19¼	19¼		7.12
WORLD BANK 5 3/4 96	300	91⅛	92		8.14
WORLD BANK 7 1/8 95	500	97½	97¾	+⅛	8.09

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	88	88¾		7.18
AUSTRIA 4 5/8 98	100	88½	89	+½	7.00
CHUBU ELEC POWER 6 3/4 01	300	99	99¼	+¼	6.89
COUNCIL EUROPE 4 3/4 98	250	89			7.02
EEC 5 1/2 00	100	90	91		7.05
EIB 6 1/2 98	600	98⅞	99	-⅛	6.71
ELEC DE FRANCE 7 1/4 06	100	102½	103	+½	6.96
FINLAND 5 3/8 95	150	95	96		6.90
GENERAL MOTORS 7 1/2 95	100	96¼	98	+¼	8.67
JAPAN DEV BK 5 1/2 94	100	97½	98	+½	6.81
KOBE 6 3/8 01	240	96	96½		6.95
NEW ZEALAND 4 7/8 99	200	86½	87		7.39
QUEBEC HYDRO 5 08	100	73	74		8.03
WORLD BANK 5 03	150	84	84½	+¼	7.06
WORLD BANK 7 01	*600*	*101⅝*	*101⅞*		*6.75*

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	99	99¼	+⅛	5.28
CREDIT FONCIER 5 1/4 94	20000	99	99½	+⅛	5.62
DENMARK 7 95	40000	104½	104⅞	+⅛	5.37
EIB 4 5/8 94	40000	98⅞	99	+⅛	5.20
ELEC DE FRANCE 5 5/8 96	20000	100	100½	+⅛	5.62
FINLAND 6 3/4 96	50000	103⅝	104	+⅛	5.75
INTER AMER DEV 7 1/4 00	30000	110⅛	110⅝	+⅛	5.67
KANSAI ELEC PWR 4 5/8 96	60000	98⅛	98⅝	+⅛	5.50
NIPPON TEL & TEL 5 7/8 96	50000	101⅜	101⅝	+⅛	5.53
NORWAY 5 1/8 95	50000	99¼	99½	+⅛	5.37
SNCF 6 3/4 00	30000	107¼	107½	+⅛	5.61
SWEDEN 5 5/8 95	20000	100	100¼	+⅛	5.62
WORLD BANK 6 3/4 00	*50000*	*107¼*	*108*	+⅛	*5.54*

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.74
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98¾		9.24
WORLD BANK 8 96 LFr	1000	96¾	97½		9.11
ABN AMRO HOLDING 9 1/4 01 Fl	750	103	103¼	+⅛	8.75
UNILEVER 9 00 Fl	500	103¼	103¾	+⅛	8.43
ALBERTA PROVINCE 10 5/8 96 C$	500	108⅜	108⅝	+⅛	8.20
BELL CANADA 10 5/8 99 C$	150	108⅞	109⅜	+⅛	8.93
BRITISH COLUMBIA 10 96 C$	500	106¼	106½	+⅛	8.26
EIB 10 1/8 98 C$	130	107¼	108⅛	+⅛	8.55
ELEC DE FRANCE 9 3/4 99 C$	*275*	*106⅜*	*106⅞*	+⅛	*8.57*
FORD CREDIT CANADA 10 94 C$	100	103¼	103¾	+⅛	8.56
GEN ELEC CAPITAL 10 96 C$	300	106	106½	+⅛	8.30
KFW INT FIN 10 01 C$	400	107¼	107½	+⅛	8.82
NIPPON TEL & TEL 10 1/4 94 C$	200	108⅜	108⅝	+⅛	8.75
ONTARIO HYDRO 10 7/8 99 C$	500	109⅞	110¼	+⅛	8.97
OSTER KONTROLLBANK 10 1/4 99 C$	150	108⅛	108⅝	+⅛	8.72
QUEBEC PROV 10 1/2 98 C$	200	108⅛	108⅝	+⅛	8.87
BELGIUM 9 1/8 96 Ecu	1250	101¼	101½	+⅛	8.74
CREDIT LYONNAIS 9 96 Ecu	125	98⅞	99⅜		9.48
DENMARK 7 5/8 96 Ecu	250	92⅞	93⅜	-⅛	9.75
EEC 7 5/8 94 Ecu	200	97¼	97¾	+⅛	9.08
EIB 10 97 Ecu	1125	105⅜	105⅞	+⅛	8.58
FERRO DEL STAT 10 1/8 98 Ecu	500	106¼	106¾	+⅛	8.77
ITALY 10 3/4 00 Ecu	1000	112⅛	112½	+⅛	8.61
UNITED KINGDOM 9 1/8 01 Ecu	*2750*	*104⅜*	*104¾*	+⅛	*8.37*
BP AMERICA 12 1/4 96 A$	100	110½	111	+⅛	9.09
COMM BK AUSTRALIA 13 3/4 99 A$	100	119⅜	119¾	+⅛	10.00
EKSPORTFINANS 12 3/8 95 A$	75	112¼	112⅝	+⅛	8.12
EUROFIMA 14 5/8 94 A$	75	113⅜	113¾	+⅛	8.07
MCDONALDS CANADA 15 95 A$	100	116⅝	117⅛	+⅛	9.07
NAT AUSTRALIA BANK 14 3/4 94 A$	150	112⅜	112⅞	+⅛	8.10
STATE BK NSW 14 1/4 99 A$	100	119	119½	+⅛	10.51
UNILEVER AUSTRALIA 12 98 A$	150	111¼	111⅝	+⅛	9.53
VOLKSWAGEN INTL 15 94 A$	100	112½	113	-	8.69
ABBEY NATL TREAS 13 3/8 95 £	100	106⅞	107⅜	+⅛	10.65
ALLIANCE & LEICS 11 3/8 97 £	100	101¼	101⅝	+⅛	11.02
BRITISH GAS 12 3/4 95 £	300	105½	105⅞		10.56
DEUTSCHE BK FIN 11 94 £	225	101⅛	101⅜	+⅛	10.35
EIB 10 97 £	536.5	99⅝	100	+⅛	10.09
FINLAND 10 1/8 97 £	*100*	*99⅝*	*100¼*		*10.20*
INTER AMER DEV 11 3/8 95 £	75	102⅞	103¼	+⅛	10.37
ITALY 10 1/2 14 £	400	100¼	100⅝	+⅛	10.43
LAND SECS 9 1/2 07 £	200	86⅝	87⅛	+⅛	11.35
NORWAY 10 1/2 94 £	200	100⅜	100⅝		10.27
ONTARIO 11 1/8 01 £	100	103⅝	104	+⅛	10.48
SEVERN TRENT 11 1/2 99 £	150	102⅞	103¼	+⅛	10.92
SKANDINAVISKA ENSK 13 1/8 95 £	100	105⅝	106		10.98
TOKYO ELEC POWER 11 01 £	150	103⅞	104⅛		10.31
WORLD BANK 11 1/4 95 £	100	102⅝	103		10.29
ABBEY NATIONAL 0 96 NZ$	100	64¼	65¼		9.77
BNP 12 96 NZ$	50	109⅛	110⅛		9.29
CEPME 10 95 FFr	2000	102⅛	102⅜	+⅛	9.18
ELF-AQUITAINE 9 99 FFr	600	100¼	100⅝	+⅛	8.94
EURATOM 7 5/8 98 FFr	500	92⅞	93¼		9.14

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.50	99.59	10.6425
BANCO ROMA 0.03 01	200	91.68	92.78	4.4050
BELGIUM 1/16 97 DM	500	99.95	100.05	9.5000
BFCE -0.02 96	350	100.21	100.31	4.9175
BNP 05	300	95.98	96.93	5.5625
BRITANNIA 1/10 96 £	150	99.09	99.28	10.6625
CCCE 96 ECU	200	99.93	100.03	10.1563
CITIZENS FED 0.15 96	100	99.42	99.88	5.9625
CREDIT FONCIER -1/16 98	200	100.37	100.47	5.9438
DENMARK -1/8 96	1000	99.80	99.90	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.94	100.04	9.5156
ELEC DE FRANCE 1/8 99	400	101.08	101.83	8.0625
FERRO DEL STAT 94	200	100.65	100.89	5.9375
HALIFAX 1/10 94 £	200	99.92	100.01	10.5375
IRELAND 98	300	99.52	99.62	4.4600
ITALY 00	500	100.65	100.77	4.5000
LEEDS PERMANENT 1/8 96 £	200	99.31	99.47	11.0000
LLOYDS BANK 1/10 PERP S.3	600	79.33	81.25	6.0375
MITSUI FIN ASIA 1/8 96	100	100.01	100.11	5.9375
MORGAN (JP) 1/4 97	250	99.25	100.00	5.2500
NAT WEST FIN 3/16 05	400	92.71	93.79	5.5000
RENFE 98	500	100.04	100.15	5.0000
SOCIETE GENERALE 96	300	99.61	99.71	5.6250
STATE BK VICTORIA 0.05 99	125	98.28	98.53	4.3625
UNITED KINGDOM -1/8 96	4000	100.00	100.03	4.2500
YORKSHIRE BS 1/10 94 £	165	99.56	99.65	10.5063

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	125¾	127¼	
CHUBB CAPITAL 6 98	250	86	107⅞	108⅜	+28.51
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	94⅛	95⅛	+11.73
EASTMAN KODAK 6 3/8 01	300	50.67	104⅞	105⅞	+9.57
GOLD KALGOORLIE 7 1/2 00	65	1.0564	80⅞	81⅞	+36.96
HANSON 9 1/2 06 £	500	2.5875	97⅞	98⅞	+24.13
HAWLEY 6 02 PREF	400	19.1	80⅜	83	
HILLSDOWN 4 1/2 02 £	150	3.97	114⅞	116	
LAND SECS 6 3/4 02 £	84	6.72	81½	82½	+21.44
LASMO 7 3/4 05 £	90	5.64	74½	75½	+81.77
MITSUI BANK 2 5/8 03	200	2337½	94⅜	95⅜	+17.74
MOUNT ISA FIN 6 1/2 97	100	2.283	92½	93½	+23.58
OGDEN 6 02	85	39.077	81⅜	82⅜	+52.38
SMITH & NEPHEW 4 02 £	90	1.775	118⅜	119⅜	+51.98
SUMITOMO BANK 3 1/8 04	300	3406.9	76	77	+27.43
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	89¼	90¼	
THORN EMI 5 3/4 04 £	105	7.45	118¼	119¼	+17.15

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Pent-up demand released with wave of new issues

By Richard Waters

A SPATE of Canadian dollar, Ecu and Swiss franc deals led the way yesterday as pent-up demand from issuers finally brought a wave of new paper on to the international bond market after the Christmas period. Investors, though, were generally reported to be waiting on the sidelines rather than rushing to buy the first new paper on offer.

Crédit Local, with a C$500m issue, dominated the Canadian dollar sector, which has now seen just short of C$1bn of new issues since the end of last week.

The largest issue yet by a non-Canadian borrower, the deal, brought by Paribas Capital Markets and Merrill Lynch, was designed to create a large liquid issue for investors with an appetite for the currency but wary of taking on additional Canadian credit risk.

The December 1997 maturity was selected to appeal to investors as a long five-year credit, rather than a longer-dated one, given the steepness of the yield curve between five and ten years. It was priced at 45 basis points over the benchmark government 8¾ per cent bonds maturing in March 1997 – or 39 basis points over the yield curve.

The bonds, swapped into sub-Libor floating-rate dollars, were reported to have met some demand, though coming in the wake of other Canadian dollar issues, a substantial proportion is said to remain with the managers. The syndicate is expected to be broken this morning, after selling in the Far East market.

INTERNATIONAL BONDS

Paribas repeated the long five-year formula for Swedish National Housing Finance, though with less success. The C$200m issue, with a coupon of 8 per cent, was reoffered at 99.85, to give a yield of 51 basis points over the five-year benchmark.

The pricing was generally considered tight, and late in the day the bonds were quoted on the bid at 10 basis points below their reoffered price.

The third Canadian dollar offering of the day, a C$150m issue from Eksportfinans, the Norwegian export financing institution, was brought with a maturity of five years and ten months. The 40 basis point spread over the five-year benchmark had widened to around 42 basis points in later trading.

All of yesterday's Canadian dollar deals are thought to have been swapped into floating-rate dollars, leading to some congestion in Canadian/US dollar swaps, and less opportunity for other issuers to follow, dealers said. Nonetheless, demand for Canadian dollars could bring further issues from Canadian borrowers in the days ahead.

By yesterday, the spread over US dollars at the five-year maturity had narrowed to 132 basis points, the tightest since early November.

Indigestion was also reported for yesterday's Ecu deals, brought by Barclays de Zoete Wedd (the first Ecu issue lead managed by the British investment bank) and Credit Suisse First Boston. BZW's Ecu100m issue for Swedish Export Credit, fully fungible with an existing Ecu400m of bonds due in February 1994, was widely seen as tightly priced – though it was offered at five basis points above the similar deal from OKB at the end of last week. The reoffered price of 33 basis points over par compared with a premium of around 10 basis points on the existing bonds.

CSFB's Ecu200m issue for IBM International Finance, by contrast, was a classic retail issue: a top blue-chip name offering a yield acknowledged by the managers to be anything but generous. Selling got off to a slow start yesterday, as the investors returned from the Christmas and New Year break.

Swiss franc issues for Guinness, BP and Rabobank, totalling SFr400m, and a £150m floating rate note from Bristol and West Building Society, added to the wave of new paper yesterday. With further issues expected today, and global offering from the World Bank due on Wednesday, investment banks were yesterday already pondering how to shift what threatened to a be a glut of new bonds to start the year.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
Credit Local de France(a)†	500	7¾	101	1997	1⅞/1.725	Paribas Capital Mkts.
SBAB(a)†	200	8	101.45	1997	1⅞/1.725	Paribas Capital Mkts.
Eksportfinans(a)†	150	7¾	100.95	1997	1⅞/1.6	ScotiaMcLeod
ECUs						
IBM Int.Finance(a)†	200	8⅞	101.2375	1995	1⅜/1.275	CSFB
Swedish Export Credit(b)†	100	9¼	101.307	1994	1¼/1.025	BZW
STERLING						
Bristol & West Bldg.Soc.(c)‡†	150	(c)	100	1996	43/33bp	JP Morgan Secs.
D-MARKS						
Deutsche Finance N'lands.(d)†	400	8	101¼	2002	2½/1½	Deutsche Bank
SWISS FRANCS						
Guinness Finance BV(a)†	150	7	101¼	1997	-	SBC
BP America Inc.(a)†	150	7	102	1999	-	Credit Suisse
Rabobank(a)★★†	100	7	101¼	1997	-	Bque.Paribas (Suisse)
GUILDERS						
Caisse Nat.d'Credit Agric.(a)†	200	8¾	100.60	1997	1/⅝	Rabobank

★★Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing Ecu400m deal. Non-callable. c) Coupon pays 25bp over 3-month Libor. Non-callable. d) Subordinated issue. Non-callable.

Treasuries rally on talk of curbing long-end issues

By Patrick Harverson in New York and Sara Webb in London

TREASURY prices rose at the long end yesterday amid renewed speculation that the US government may curtail issues of new long-dated securities to save on borrowing costs.

In late trading, the benchmark 30-year bond was up ½ at 106¾, yielding 7.435 per cent. The two-year note was also firmer, up $\frac{1}{16}$ at 100¾, yielding 4.732 per cent.

Prices rose primarily in response to a press report that officials in Washington have become increasingly serious about reducing the amount of 30-year bonds it issues. Although there was nothing new in the story, suggestions that supply at the long end could shrink boosted an already firm market, and provoked some short-covering by dealers.

The return of Japanese buyers to the market after the Christmas and New Year holiday break also contributed to the positive tone.

■ GERMAN government bonds gained a quarter-point helped by fresh buying interest and some switching out of long-dated bunds into shorter-dated securities.

GOVERNMENT BONDS

The Liffe bund futures contract jumped from its opening of 87.68 to a high of 87.88 before closing at 87.81. Volume in the Liffe futures contract was normal at 41,500 contracts.

Traders said the longer end of the maturity range was suffering from worries over the outcome of the 1992 wage round and the prospect of higher inflation.

The bund market is awaiting a batch of economic data this week including unemployment figures for December and industrial production and retail sales figures for November. Traders said the market will be looking for confirmation of a slowdown in the German economy.

Elsewhere in Europe, Dutch government bond prices ended sharply higher, helped by strong demand for the 15-year issue from both domestic and foreign buyers.

■ UK government bonds drifted up in dull trading yesterday as traders reported only sparse interest from foreign and domestic buyers, many of whom are only just returning from the holiday break. The gilt market is waiting for fund managers to start reallocating their portfolios for the new year.

The benchmark 11¾ per cent gilt due 2003/07 rose by less than a half-point to 115¼ to yield 9.51 per cent.

■ JAPANESE government bonds continued to rise in yesterday's half-day session, helped by the strength of the yen and last week's unexpected half-point cut in the official discount rate to 4.5 per cent. However, modest profit-taking limited the gains in both the cash and futures markets.

Traders said the bond market remained bullish, helped by the yen's strength against the dollar and lower short-term interest rates.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	116.7281	+0.875	9.36	9.45	9.51
BELGIUM		9.000	06/01	101.3500	+0.550	8.77	8.94	9.10
CANADA *		8.500	04/02	103.9000	+0.300	7.93	8.20	8.50
DENMARK		9.000	11/00	102.3250	+0.450	8.61	8.72	8.99
FRANCE	BTAN	8.500	11/96	98.3111	+0.113	8.93	9.10	9.16
	OAT	8.500	01/01	105.9300	+0.200	8.59	8.65	8.92
GERMANY		8.25	09/01	101.5200	+0.250	8.01	8.04	8.25
ITALY		12.000	06/01	97.4100	+0.100	12.47	12.55	12.62
JAPAN	No 119	4.800	06/99	95.7368	-	5.61	5.64	5.95
	No 129	6.400	03/00	106.0176	-0.006	5.34	5.39	5.61
NETHERLANDS		8.500	03/01	100.0900	+0.400	8.48	8.60	8.77
SPAIN		11.900	07/96	100.3100	-	11.74	11.78	11.91
UK GILTS		10.000	11/96	100-25	+5/32	9.79	10.00	9.81
		10.000	02/01	102-17	+10/32	9.57	9.79	9.73
		9.000	10/08	97-10	+10/32	9.32	9.53	9.51
US TREASURY *		7.500	11/01	104-26	+6/32	6.81	6.74	7.19
		8.000	11/21	106-18	+15/32	7.44	7.46	7.77

London closing. *denotes New York closing. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

The yield on the benchmark No 129 issue opened at 5.35 per cent and moved to 5.32 per cent before closing at 5.34 per cent. The unsecured overnight call money rate traded at around $5\frac{5}{16}$ per cent, sharply down from its level of $5\frac{9}{16}$ per cent at the previous close on December 31. Three-month certificates of deposit traded at around 5.4 per cent.

The Ministry of Finance is expected to auction Y800bn to Y900bn of January 10-year bonds later this week. The coupon on the new issue is expected to be around 5.5 per cent to 5.6 per cent. The coupon on the December issue of 10-year government bonds was 6 per cent, but yen bond yields have dropped since then.

Nymex seeks overnight success with Access

Barbara Durr looks at the race to round-the-clock electronic trading of energy futures

NYMEX, the world's largest energy futures market, will this year join the ranks of exchanges using electronic trading systems.

By doing so, some traders on the New York-based exchange foresee that more business will be concentrated at Nymex, possibly robbing London's International Petroleum Exchange of trading volume.

Nymex recently unveiled details of its plan to create a round-the-clock screen trading system which will be known as Access – standing for American computerised commodity exchange system and services.

The system has been developed by American Telephone & Telegraph together with Task Management, a software company. Among its features will be a unique risk and credit control check.

Despite the doubts of floor traders who fear they may be gradually replaced by computer trading, the exchange believes that with 20 per cent of all world trade devoted to oil and energy, it must increase access to its market in off hours.

Trading volume at Mymex has risen dramatically over the past five years, from just 14.7m contracts in 1986 to 42.4m last year. In the first week of November this year, volume was running somewhat below last year's record pace at 34.7m contracts.

The jump in trading volume has increasingly brought pressure on the exchange to provide greater access to its markets. Mr Lou Guttman, Nymex's chairman, said the exchange believed it had to either extend floor trading hours to triple shifts or develop a screen trading system.

So more than two years ago Nymex became the first exchange to seriously consider becoming a partner in the Chicago Mercantile Exchange's Globex electronic trading system. "We knew what our needs were," said Mr Guttman.

But Nymex officials were much chagrined when the CME suspended talks with them in 1990 to bring in as a partner the Chicago Board of Trade, the world's largest futures exchange and the CME's traditional rival.

Instead of waiting for the Chicago exchanges to return to negotiations with Nymex, the New York exchange decided early last year to cut a path on its own. It now regards that decision as an especially wise one given the repeated postponement of Globex.

Nymex intends to have its own Access system up and running by the end of 1992 with contracts listed for crude oil, heating oil, gasoline and platinum. Current plans are for the system to operate from 5pm to 8am the next day, New York time. Nymex's normal market hours are from 8.20am to 3.10pm.

Because energy traders will be able to enter or exit the market overnight in the US, open interest in Nymex contracts, or the number of contracts outstanding, is expected to increase. And some traders believe that fewer will resort to London's IPE if they can do all of their business on a 24-hour basis in the US.

Speculators who normally would not wish to hold any position overnight, now will be able to in the knowledge that if they must unwind their positions they can do so.

The Access system's special real time credit and risk checking feature will in addition provide futures commission merchants control that not even Globex can yet offer. FCMs will be able to set limits by contracts or by a dollar figure on the customers that clear through them, each of whom will have a identification number. If that limit should be exceeded, the Access system will not accept the trade.

This is expected to help eliminate the criticism by FCMs that they will be disenfranchised by electronic trading systems, said Mr Guttman. It allows them in essence to be in control of their customer base.

Nymex estimates that if 7,000 to 8,000 contracts are traded per night, it will break even financially. It would not yet disclose how fees would be set except to say that these would be "commensurate with the level of trading activity and the costs of maintaining the system".

For the moment, Globex plans a credit control system that entails actions only after a trade is executed. While this improves the current human monitoring of trades, it does not offer a pre-order entry screening.

Globex is expected to begin testing at the end of January and officials say they hope to be able to launch the system by the second quarter of next year.

But with the rate of postponements of Globex, Access may have a chance to beat it to the launch pad.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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[illegible]

FIXED INTEREST

[illegible]	10.03		
[illegible]	10.04		
[illegible]	10.05		
[illegible]	10.89		
[illegible]	10.43		
[illegible]	10.25		
[illegible]	11.01		
[illegible]	10.61		
[illegible]	10.40		
[illegible]	10.29		
[illegible]	4.06		
[illegible]	4.15		
[illegible]	2.77		
[illegible]	3.98		
[illegible]	12.63		
[illegible]	12.37		
[illegible]	12.13		

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	12	17
Other Fixed Interest	14	1	4
Commercial, Industrial	348	215	927
Financial & Property	169	87	531
Oil & Gas	23	23	45
Plantations	0	1	9
Mines	25	38	89
Others	51	48	50
Totals	682	425	1,672

LONDON RECENT ISSUES

EQUITIES

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ¶ Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. [illegible] Issue price to private investors. ■ Unit comprising of 5 Ords and 1 Warrant.

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

77½	Nil	-	1½pm	½pm	River & Merc Gas	½pm	-¼
105½	Nil	-	1½pm	½pm	Do Inc	½pm	-¼
113½	Nil	-	4½pm	3pm	Do Stpd Pf	4½pm	
17½	Nil	-	1½pm	1½pm	Do Warrants	1½pm	
125	Nil	-	½pm	¼pm	Tottenham Hotspur	½pm	+½
148	Nil	-	19pm	16pm	Unichem 10p	16pm	

TRADITIONAL OPTIONS

- First Dealings Jan. 6
- Last Dealings Jan. 17
- Last Declarations Apr 2
- For settlement Apr. 13

3-month call rate indications are shown on this page.

Calls In: ASDA, Automated Sec., Barratt Dev., Birse, Brit. Steel, BTR Warrants 93/94, Burton, Elliott (B.), Kwik Fit, Lonho, M.L. Labs., Medeva, Natl. Home Loans, P & P, Premier, Psion, Trade Indemnity, Ratners, Trafalgar House, Tiphook. **Put In:** Elliott (B.).

LONDON TRADED OPTIONS

[illegible]

Option		Feb	May	Aug	Feb	May	Aug
Brit Aero (*286)	300	10	15½	19	18½	35	37½
	330	3¼	7	10½	46	62	61½
BAA (*555)	500	62	79½	85	1¼	7	10½
	550	23½	44¾	50	13½	22	29

Option							
Hawker Sidd. (*750)	700	58	60½	-	4	8½	-
	750	13	27½	-	26½	30½	-
Hillsdown (*162)	160	13½	18	21	8½	13½	15½
	177	6½	-	-	17	-	-
Lonrho (*177)	160	20	27½	30½	11½	15½	19
	180	10½	18½	21	21½	26	29

January 6 Total Contracts 24,672
Calls 18,075 Puts 6,597
FT-SE Index Calls 6,375 Puts 2,013
Euro FT-SE Calls 178 Puts 155
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price † Long dated expiry months
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p								
Allied-Lyons	50	Charter Cons.	42	Ladbroke	19	Sears	8½	■ OILS	
Amstrad	4	Comm Union	34	Legal & Gen	30	SmKl Bchm A	70	Aviva Pet	1½
Astec (BSR)	5	Courtaulds	40	Lex Service	16	TI	41	BP	30
BAT Inds	48	Eurotunnel	40	Lloyds Bank	24	TSB	9	Burmah Castrol	38
BOC	49	FKI	5	Lonhro	18	Tesco	15½	Conroy Pet	4
BTR	33	FNFC	5	Lucas Inds	11	Thorn EMI	59½	Gaelic Res	½
Barclays	24	Forte	20	Marks Spencer	22	T & N	10½	Premier Cons	4
Blue Circle	18	GKN	24	Midland Bank	17	Unilever	78	Shell	41
Boots	33	Gen Accident	37	NatWest Bank	21	Vickers	13½	Tuskar Res	1½
Bowater	54	GEC	15	P & O Dfd	35	Wellcome	80	■ MINES	
Brit Aerospace	18	Glaxo	64	Racal Elect	4½	■ PROPERTY		RTZ	38
British Steel	10	Grand Met	70	RHM	20	Brit Land	20½		
Brit Telecom	25	GRE	11	Rank Org	47	Land Sec.	36		
Cadburys	34	Hanson	15	Ratners	6	MEPC	33		
		ICI	88	Reed Intl	42	Mountleigh	3		

Fears of lower margins in higher Christmas sales

By Richard Gourlay

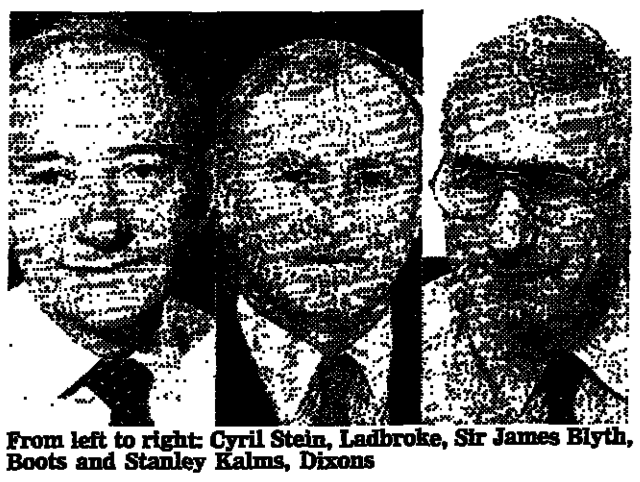
LADBROKE GROUP, the leisure company, yesterday began a season of retailers reporting how they had fared over the Christmas holiday period amid signs that many may have sacrificed margins to achieve sales.

Ladbroke said its Texas Homecare DIY subsidiary had raised sales by more than 15 per cent in the ten days from Boxing Day to January 4. Boots should today make a statement about its last quarter sales, and Dixons, the electrical retailer, is due to report interim results tomorrow.

These indications of consumer confidence and spending over Christmas follow disappointing sales at Ratners, the high street jewellers. Despite deep pre-Christmas price discounting, the resulting increase in sales was not sustained and the troubled retailer's share price has fallen sharply.

Mr Ron Trenter, chairman of Texas, described the sales increase as very encouraging as it had come from only 3 per cent more space than last year.

The announcement follows a mini-price war in the DIY sector where retailers B&Q, owned by Kingfisher, and Do-it-all, owned by WH Smith and Boots, have intensified competition in selected areas.



From left to right: Cyril Stein, Ladbroke, Sir James Blyth, Boots and Stanley Kalms, Dixons

Mr John Richards, analyst at Smith New Court, said Texas's sales figures should not be interpreted as a sign of a significant upturn in the DIY market. "The aggressive discounting that B&Q and Texas have been doing appears to have been at the expense of their weaker competitors, notably Do-it-all."

Analysts pointed out that hastily arranged price discounting and planned price cutting campaigns have a markedly different impact on profitability. When Texas cut 25 per cent from all prices for two weekends last November, it arranged that its suppliers should swallow some of the discount in return for higher volume. Hurriedly arranged sales after stock has been bought, on the other hand, slice profits straight off a retailers bottom line.

Europe tops company shopping lists

THE US ceded its position as the most favoured market for acquisitions by UK companies to continental Europe last year, according to a survey of UK companies' acquisitions and divestments in the US conducted by JP Mervis, the corporate finance advisers, writes Michiyo Nakamoto.

UK companies spent $2.9bn (£1.59bn) to buy 113 companies in the US in 1991, compared with a total of $3.5bn spent on 150 acquisitions in Europe. Almost as much – $2.7bn – was realised from US sales.

The value of British acquisitions in the US last year was 74 per cent down on the near-$11bn spent in 1990 and 91 per cent lower than the 1988 peak of $33.5bn spent on 425 US companies.

Most sectors experienced a waning of interest. A notable exception was the medical industry where the value of acquisitions increased from $25m to $238m and the number of companies bought remained at five.

The food, beverages and agriculture sector was another exception, with the value of acquisitions more than doubled to $233.2m ($101.5m) despite a drop in the number of companies acquired from seven in 1990 to three.

The natural resources exploration and services sector fell from the top position in 1990 with $2.52bn to $99m. The consumer products and services sector came top this year with $638m of acquisitions.

See Lex

Bunzl pulls out of food distribution in the US

By Bronwen Maddox

BUNZL, the packaging distributor, plastics and cigarette filter company, yesterday completed the closure of its Californian food distribution activity, a further step in reversing the group's ambitious expansion in the 1980s.

The closure of Collins Foodservice and Corsaro Produce, which will eliminate losses of about $500,000 (£275,000) a month, is the most significant step taken by Mr Anthony Habgood since he became chief executive in August 1991.

Mr Habgood said yesterday "It was my decision to shut them down if there were no buyers by the end of November."

The group acquired the businesses in May 1987, paying a total of $40m, but will realise less than 20 per cent of that in shutting them: $4m from stock and fixed assets and several million dollars from outstanding trade debts.

Within three years combined turnover had fallen by more than 20 per cent to $241m in 1990 producing losses of $7m. In the year before they were acquired they made pre-tax profits of $6m on turnover of about $300m and had net assets of $20.5m.

Bunzl said that a full provision for the food losses had been made in the 1990 annual accounts and in the interims to end-June 1991. It did not expect the exit to generate further costs.

The move into food distribution was one of several unsuccessful strategies in the past five years initiated by the previous chief executive Mr James White, who left in November 1990.

Following its success in building a US network in paper distribution in the mid 1980s, and anticipating the maturity of that business, the group attempted to build US distribution networks in food, building products and electrical products.

However, paper distribution has continued to grow strongly, in contrast to the diversifications.

Financial constraints prompted the group to sell the electricals business in 1989, just two years after acquisition, although it realised a profit. Building products have been hit by the severe US housing and construction recession.

Mr Habgood said: "I'll certainly wait for much better economic conditions to assess the building products potential, and unlike the food companies, while they are not making money they are not bleeding."

Fraud probe into leisurewear theft

By Jane Fuller

The Greater Manchester Commercial Fraud Squad is looking into the alleged theft of between £300,000 and £400,000 of sports and leisurewear from a subsidiary of French Connection.

Bukta Connection, had £2.8m of exceptional costs in the six months to July 31. These took account of the allegedly stolen stock, which includes shell suits (lightweight shiny leisurewear) and the strips of some first division football teams.

Bukta itself complained to Greater Manchester Police, which confirmed that the fraud squad was looking into the alleged theft of assets by former employees.

Boom! Crash! Popcorn whizz bangs pan

Peggy Hollinger on Ken Lewis, Nicholas Saphir and Butterkist

MR NICHOLAS Saphir has lost his taste for popcorn. That innocuous confection brings back bad memories to the chairman of Hunter Saphir, the fresh produce and herbs and spices group.

Just two weeks ago, Hunter Saphir sold Butterkist, the toffee popcorn manufacturer, for £2.9m to privately-held Portfolio Foods. The sale was completed only four years after Hunter bought Butterkist for £19m in cash and shares – although the actual cost to the company was closer to £12m, according to Mr Saphir.

The sale to Portfolio – and the resultant loss of more than 100 jobs – has aroused the anger of shareholder and former Butterkist owner, Mr Ken Lewis. Mr Lewis, who became a multi-millionaire as a result of the sale to Hunter at a price which he himself agrees was too high, claims the business is worth up to £5m.

Mr Saphir, for his part, maintains that the company got the best price in the shortest amount of time possible for a loss-making business. "The offer was very quickly on the table," he says. Yet it is believed that Portfolio was offered an exclusive opportunity to bid for Butterkist.

The only sure thing appears to be Portfolio's acquisition of more than 80 per cent of the butter toffee popcorn market. The Office of Fair Trading said yesterday it was reviewing the deal, although there was some confusion as to how candycorn should be classified – as popcorn or as confectionery.

Butterkist's history and the passions which surround it are as volatile as the popcorn itself. Under Mr Lewis' stewardship Butterkist more than trebled its profits in two years. Within a similar period, he says, Hunter let the business run down. When Hunter sold Butterkist, the business was losing up to £50,000 a month.

But Hunter says its biggest mistake was to agree an unfavourable earn-out on the purchase and a deal whereby Mr Lewis had complete control of marketing and distribution.

Mr Lewis took over Butterkist through a £3m management buy-out in 1986. Then, as in recent years, the popcorn industry was in the throes of a fierce price war. When he sold the business in 1987 to Hunter Saphir, Butterkist was making annual profits of £595,000.

The deal agreed by Hunter included a £6.3m acquisition price, backed up by a two-year earn-out – 4.5 times any profit above £595,000. Within a year, Butterkist was making profits of £1.5m. The following year, it reported more than £2m.

"We were pleasantly surprised and a little concerned," says Mr Saphir. "We didn't expect profits to climb as fast as they did."

How Mr Lewis achieved these profits is up for debate, but it would appear that Butterkist moved into supermarkets, which gave the operation a significant boost, and production was operating round-the-clock. Also, margins – at between 60 and 70 per cent gross, according to a rival popcorn manufacturer – were much higher than was common in the £25m-per-year candycorn market.

Mr Lewis was also well-known in the industry. The former managing director of Butterkist began at the popcorn factory more than 25 years ago as a truck driver. A leading manufacturer says he was a popular figure who inspired considerable customer loyalty.

Loyalty will only go so far, however, and is significantly curtailed when it dents the purse. Butterkist's high margin was a golden opportunity for Bard Brothers, a subsidiary of Portfolio Foods, to take business. By 1990, the rival popcorn manufacturer had moved aggressively into the market, slashing prices and sparking a war in which Butterkist was seriously wounded.

Andy Mears

Butterkist: a painful and sticky saga for Hunter Saphir

After Mr Lewis left, Hunter backed the brand through television advertising, introducing novelty products such as Teenage Mutant Ninja popcorn, and increasing capacity for the expected market growth. Margins were also gradually reduced, although they were still higher on average.

Something went seriously wrong, however: the expected growth never appeared. The extra capacity lay dormant and Butterkist began to go stale. Bard had snapped up 40 per cent of the market by last year and claims it was on target for more than 50 per cent, before buying Butterkist.

By the middle of 1991 Hunter was carrying a business laden with over-capacity and plunging margins. To make matters worse, the rest of the group was under pressure. A takeover approach – believed to be from Dalgety – collapsed, and the group had just completed an expensive refinancing.

So, without the management resources or will to tackle Butterkist's problems, the business was sold. Mr Saphir says the experience has taught him some tough lessons: "It was a painful saga."

Painful not only for Hunter, but also its shareholders. These include Mr Lewis who has seen part of his profit on the original sale – 400,000 Hunter shares – fall in value from £1.2m to £204,000.

World markets slowdown hits Carclo

By Michiyo Nakamoto

CARCLO ENGINEERING, which manufactures products for the textile, automotive and aviation industries, suffered a 33 per cent drop in interim pre-tax profits to £2.87m.

The downturn, from a previous £4.31m, was a result of the core divisions being hit by the slowdown in world markets.

A widespread fall in demand over the six months to end-September put pressure on margins and led to a sharp decline in operating profits to £2.54m (£4m) on lower turnover of £38.6m (£42.4m).

Earnings per share fell to 4.9p (7.3p) but the interim dividend is maintained at 1.7p.

The card clothing division, which provides products used in combing fibres in preparation for spinning to the textile and machinery industries, saw the greatest decline in operating profit – down 36 per cent to £1m.

Mr John Ewart, chairman, said the division's UK businesses did somewhat better thanthe businesses in the Netherlands and France.

That was due to the export strength of the UK businesses which supply mills and machinery manufacturers in English and Spanish speaking markets, including the Middle East, the Far East and South America.

In the general engineering division, Gills, the control cables manufacturer, was able to buck the overall trend and enjoy increased demand.

The operation saw increased demand from its main customer, Ford Motors, where it derives 85 per cent of its turnover.

Gills supplies Ford with products for its export market where production figures have been resilient in contrast to the depressed UK car sales market.

Carclo is selling Bruntons, a steel wire manufacturer based in Scotland and part of its wire division. The decision came as Bruntons incurred a loss of £400,000 on lower sales and was based on the board's view that the company does not fit in with its longer term strategy for the single European market.

Bromsgrove may launch offer for GW Thornton

By Paul Cheeseright, Midlands Correspondent

BROMSGROVE Industries, the Birmingham-based specialist engineering conglomerate, yesterday looked to be about to make an agreed bid for GW Thornton, the Sheffield-based engineering company.

Both companies asked for their shares to be suspended, Bromsgrove "pending an announcement" and Thornton because of discussions which may lead to a bid.

Bromsgrove shares were unchanged on the Friday close at 131p for a capitalisation of £56.5m. Thornton's suspension price of 150p, again unchanged, valued the company at £9.9m.

If the deal goes ahead, it will be Bromsgrove's second acquisition in a month. During December it made a £2.8m cash and shares takeover of Imbach Group, taking it into environmental engineering.

Thornton's main business is precision forgings for the aerospace industry, a neat fit with Bromsgrove's existing aerospace engineering interests. Bromsgrove, in its half year to last September, and Thornton, in its full year to September, both managed to increase trading profits in aerospace markets in spite of a general downturn in the industry.

Thornton has been expanding its interests in the orthopaedic market, a sector where Bromsgrove has no involvement.

During the year to last September Thornton made pre-tax profits of £1.6m on turnover of £12.3m. In the six months to September 30 Bromsgrove reported profits of £3.5m pre-tax on turnover of £39.4m.

Boardroom reshuffle at loss-making Aviva

By Jane Fuller

MR GRAHAM Ferguson Lacey, the evangelical preacher who heads the group that recently bought Land's End and John o'Groats, has become deputy chairman of Aviva Petroleum, a Texas-based but London-quoted oil and gas company.

Mr Lacey, who made his name as a controversial entrepreneur in the 1970s, is president and chief executive of Gulf Resources & Chemical Corp, which increased its stake in Aviva from 17 per cent to nearly 21 per cent last November, when Mr Lacey initially became chief executive. He is one of four Gulf directors who occupy non-executive roles on Aviva's board.

Mr Denys Milne, who used to be a BP director and is still involved with the Weir Group, the Glasgow-based engineering concern, has been appointed chairman of Aviva, replacing Mr Gerald John Ward, who has resigned. Mr Ron Suttill, the only executive director, becomes president and chief executive. "I'm now on my fourth – or is it my fifth? – chairman since 1985," he said.

The company is involved in exploration and drilling in the US, Alberta and Columbia. Gulf Resources has taken a much stronger interest since increasing its stake over the equity accounting threshold. Mr Suttill said Gulf might buy more shares, possibly through supporting a rights issue.

Aviva, which lost $3.2m (£1.75m) in the first half of 1991, plans to seek a US listing on either the Nasdaq over-the-counter market or the American Stock Exchange.

NEWS DIGEST

Irn-Bru helps lift AG Barr

AG BARR, the Glasgow-based soft drinks manufacturer, lifted pre-tax profits by £369,000 to £4.75m in the year to October 26, a "more than satisfactory result", according to Mr Robin Barr, chairman.

Trading profits were down at £5.66m (£6.03m). But lower net interest, dividend received of £1.51m (£1.64m), and an exceptional credit of £601,000 from a settled fire insurance claim, boosted the pre-tax figure.

Turnover rose fractionally to £90m (£89.8m), reflecting, Mr Barr said, a poor second half because of "the disappointing summer weather, the rise in VAT and the recessionary conditions". All these factors, as well as the fragility of consumer confidence, had an effect on the market, he said.

Sales of the Barr brands continued to grow, due to improved distribution and the greater public awareness – particularly in the case of Irn-Bru – resulting from higher marketing expenditure.

Below the line there was an extraordinary charge of £962,000 (£511,000) representing the final cost of restructuring the company's production and distribution arrangements.

Earnings rose to 17.28p (16.03p) and a final dividend of 4.3767p makes a 5.46p (5.2p) total.

Deadline for AmBrit offers

Pittencrieff, the oil and gas explorer which is bidding for AmBrit, the struggling USM-quoted oil company, said its offers were final and would not be revised or extended.

AmBrit shareholders were told that acceptances should be received by no later than 1pm on January 9.

Airtours links with five agencies

Airtours, the package holiday company which was considering buying a travel agency chain, has signed long-term agreements with five large agencies.

The agreements, which will operate for three to five years, secure the distribution of Airtours' holidays at commission of less than 12.5 per cent.

Lunn Poly is one of the five, as is Pickfords Travel Services. The other three are Thomas Cook & Sons, AT Mays and Hogg Robinson.

£10m buy-out at Samuel Banner

Samuel Banner, the solvent and chemicals blender, has been bought by its management in a £10m deal, after running out of Banner family members willing to run it.

The buy-out was brokered by Rickitt Mitchell & Partners, the Manchester-based corporate finance adviser, and backed by 3i and Charterhouse Development Capital.

The company had about 60 shareholders, all descended from or related to or connected with the founders. About half the equity was held by Mr Christopher Banner, managing director for 17 years, and his family. Mr Banner will stay on as non-executive chairman.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barr (AG) ....fin	4.3767	Apr 7	4.1167*	5.46	5.2*
Carclo Eng ....int	1.71	Mar 13	1.71	-	7.81
Soundtracs § ....fin	1.35	Apr 16	1.35	2.2	2.2

Dividends shown pence per share net except where otherwise stated.
*Equivalent after allowing for scrip issue. §USM stock.

N&P purchases unit trust company

National & Provincial, the seventh largest UK building society, has bought Key Investments, a unit trust company, from Capel-Cure Myers Capital Management Holdings.

The deal will enable N&P to sell unit trusts through its network of 318 branches via financial advisers.

Capel-Cure will continue to handle Key's fund management and registrar administrations. Key and its products are likely to be renamed and given N&P branding.

Platignum returns to the black

Tight cost controls helped push Platignum, the pen maker and office equipment manufacturer, back into profit with £192,000 pre-tax in the six months to September 30.

This compared with a £331,000 loss last time and was achieved despite sales falling from £10m to £8.89m.

Earnings per share came out at 0.09p (losses 0.16p).

Soundtracs shows second half recovery

Soundtracs, the USM-quoted audio console manufacturer, overcame a poor first half to report pre-tax profits marginally ahead in the 12 months to November 6.

The full-year outcome – £545,699 against £544,266 – followed a 48 per cent contraction at the interim stage.

Turnover was little changed at £3.86m. Earnings emerged at 3.79p (3.58p) and a final dividend of 1.85p makes a maintained 2.2p total.

TSB closes private Luxembourg arm

TSB, the sixth largest UK banking group, is to close down TSB Private Bank International, its loss-making Luxembourg private banking operation set up in 1987.

The operation became part of the Hill Samuel Private Banking Services in July last year. It employs 42 people. Hill Samuel said yesterday that the decision to shut down the operation followed a strategic review of the group's private banking activities.

COMMODITIES AND AGRICULTURE

Major urges UK farmers to get closer to markets

By David Blackwell in Oxford

UK FARMERS, hard pressed by falling incomes, should get closer to the markets they are aiming for and concentrate on adding value, the prime minister said last night.

Considerable uncertainty surrounds the outcome of the current Gatt talks and Common Agricultural Policy reform plans, Mr Major said, but it was clear that farmers faced increased competition, the wider European Community market from the end of the year, and lower levels of price support.

The prospects were uncertain to bleak for farming, "even though the rest of the economy is beginning to emerge from recession", he said. But it was not possible to continue present production patterns and price support.

"The key to surviving in this new environment will be the ability to respond rapidly to consumer demands," he told the annual dinner of the Oxford Farming Conference, which this year is subtitled "Prosperity Through Excellence". It was not just a matter of efficiency – UK farmers were among the most efficient in Europe, he said. Quality was needed, and some farmers would have to change both their production and selling methods.

The government believed the answer must lie in better collaboration between farmers, said Mr Major, although that does not necessarily mean classical co-operatives. He referred to a recent seminar in Downing Street involving both food producers and retailers. The retailers promised to target opportunities for UK supply for food and food products; to offer a more open-door policy to producers; to second managers to help producers meet market requirements; and to declare the country of origin on own label products.

"The opportunity is there for more British producers to supply our supermarkets. They must grab this opportunity with both hands," he said. The size of the UK food trade gap was itself an indication of the size of the market farmers had to tap. "If British farmers can meet the high standards demanded by their customers in the food manufacturing and retail sectors, they will greatly benefit, not simply through recapturing their own domestic market, but in penetrating markets elsewhere in the community."

Mr Major told the 400 delegates that CAP spending would be right up against its limits this year. He criticised the CAP for not operating in the interests of producers, consumers or taxpayers. "And it also led to the absurd prejudice that farmers are living in the lap of subsidy when in reality your income is falling. Further reform is essential. Farming cannot go on as at present."

De Beers' diamond sales hold up

By Kenneth Gooding

DIAMOND SALES by the Central Selling Organisation, through which De Beers of South Africa controls 80 per cent of world rough (uncut) diamond trade, last year fell by 6 per cent or US$240m from the 1990 level to $3.927bn.

The CSO said demand for both uncut and polished diamonds was "flat" for the whole of last year and no rebound could be expected until 1993.

The sales figures were at the upper end of analysts' expectations – forecasts ranged between $3.6bn and $4bn. Analysts said the results illustrated how the CSO has been able to sustain the diamond market in the most dire conditions. In 1991 it had to cope with recession, the Gulf war and the inability for much of the year of the Indian cutting houses to pay for diamonds because of their government's foreign exchange restrictions.

"This is a very good result and will please a lot of people," said Mr Vincent Tattersall, analyst with Williams de Broe, stockbrokers. "The [diamond] trade is lacking in confidence and this will give it heart."

The CSO also reassured traders by saying that its $5bn five-year deal to market Soviet rough diamonds would continue with a new partner, Rosalmazzoloto of Russia. The CSO has also recently concluded new five-year marketing agreements with Angola, Australia and Botswana.

The organisation will also maintain promotional spending on diamonds at about $150m.

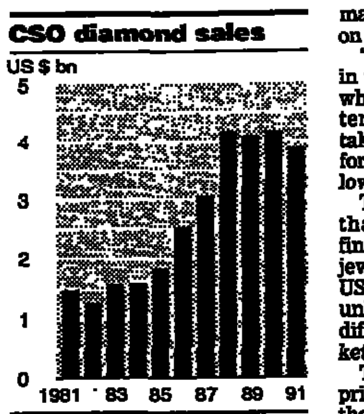
"Stocks are not overly high in the major consumer markets which means that, once a better consumer environment takes shape, increased demand for rough diamonds should follow," the CSO stated.

The organisation insisted that the highly-publicised financial problems of two big jewellery chains, Zales in the US and Ratners of the UK, was unlikely to make much of a difference to the diamond market "except for sentiment".

The CSO has not increased prices since March 1990 (when they rose by an average of 5.5 per cent). Against calls for a March increase, the organisation said yesterday: "You can only think about price increases when the market can sustain them – and it does not look that way at the moment."

In the two biggest retail markets, analysts suggested that destocking by US retailers had probably ended but Japanese retailers would continue to destock for three months.

CSO diamond sales



Jamaica's bauxite output rises by 5.5%

By Canute James in Kingston

JAMAICAN PRODUCTION of bauxite (aluminium ore) increased last year by 5.5 per cent to 11.5m tonnes, according to the Jamaica Bauxite Institute. Production of alumina (aluminium oxide) was 3.01m tonnes, 5 per cent more than 1990.

Exports of crude bauxite ore in 1991 reached 4.3m tonnes, 10.25 per cent more than 1990. That represented a slowdown in the growth of the Jamaican industry, the world's third largest after Australia's and Guinea's.

In 1990 Jamaica's bauxite ore production increased by 19.8 per cent, while alumina output grew by 30 per cent.

Mr Dennis Morrison, the institute's director of economics, said the fall in international aluminium prices had affected Jamaica's earnings from bauxite and alumina, and that the industry's net earnings in 1991 of $240 were $30m less than in 1990.

Precious metals in price tumble

By Kenneth Gooding, Mining Correspondent

PRECIOUS METALS prices tumbled yesterday as a wave of selling by fund managers started in Japan and was carried over to Europe and then New York.

Platinum touched the lowest level for nearly seven years in New York, driven down by worries about the US economy and the continuing poor prospects for car sales. About half of the platinum produced is used in automotive anti-pollution *catalysts*.

In London platinum closed at $330.75 a troy ounce, down $6.25 from Friday's close. Sentiment was not helped by news at the weekend that a strike at Impala's Bakokeng mine in South Africa had ended.

Gold crashed *through* the psychologically-important $350 an ounce level to close in London at $348.50, down by $3.65 from Friday's close and the lowest price since September.

Meanwhile, silver lost 6.5 cents an ounce to close in London at $3.92.

Mr Andy Smith, analyst at Union Bank of Switzerland, said: "The Japanese came back from holiday and sold gold and platinum. That started the fall." He suggested that silver would recover rapidly and help gold prices back up again. But gold might first retreat to about $345 an ounce.

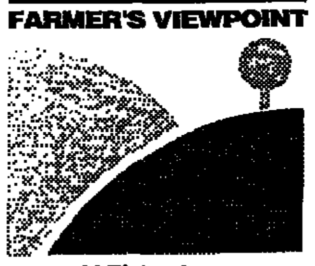
He pointed out that yesterday's fall in precious metals prices was "paper driven" [or took place because of selling in the futures, not the physical, market] and therefore should be more easily reversed.

Physical demand for gold remained good in the Far East where the approach of the Chinese New Year, *traditionally* a time of buoyant demand for gold, had seen the premium for tael bars in Hong Kong widen yesterday to $2 an ounce from $1 last week.

Taking plenty of food for granted

Falling self-sufficiency matters because of the widening trade deficit

FARMER'S VIEWPOINT



By David Richardson

IMAGINE PAYING the equivalent of two months' salary for a couple of kilograms of fat pork and having to queue for it for up to half a day with no guarantee that there would be any left when you reached the shop counter.

This is the prospect facing *the citizens of Moscow* and a great many of the cities of what used to be the Soviet Union this cold Russian January. It really makes you appreciate an abundance of food, doesn't it?

Or does it? Apart from a few *hiccups with sugar and potatoes* in the mid 1970s, British people have not experienced a shortage of any food or drink since the second world war and the few years of rationing after it. Most of today's consumers were not even born then so *perhaps we have come to take* food for granted.

The level of UK self-sufficiency in food that can be produced in our climate was about 30 per cent during and just after the war years. Higher yields and greater farming efficiency raised this figure to nearly 80 per cent by the early 1980s but it has slipped back since then to between 73 per cent and 75 per cent and the downward trend appears to be continuing.

British self-sufficiency in all foods, including those from warmer climates, was just 56.4 per cent in 1990, according to the Ministry of Agriculture, so the country is still heavily dependent on food imports.

But does it matter you may ask. After all, there is plenty of cheap food on world markets. It might even be cheaper to import it rather than try to grow it at home. The problem, surely, is food surpluses?

As you would expect, farmers, myself included, believe *that it does matter, and not* just because of the effects on our incomes. Indeed the food and drink sector has become the largest single contributor to the UK's trade deficit at £6bn, or 42 per cent of the total. Furthermore, close to 60 *per cent of that figure* is with northern European nations with climatic conditions similar to our own. In other words, those imported products could just as easily have been grown at home.

Even more worrying, for the *government as well as for* farmers, is that total food and drink imports into the UK virtually doubled during the decade 1980-90. Moreover, forecasters have predicted that, if the trend is not halted, by the year 2000 Britain will have a food trade gap with northern Europe of well over £4bn.

The reasons for all this are many and varied. They range from accidents of history to the changing tastes of British consumers returning from holidays abroad.

On the face of it, Britain benefitted from having its agricultural revolution in the Middle Ages and developing, thanks to the principal of primogeniture, an industry composed of yeoman farmers surrounded by broad acres.

In some parts of Europe the Code Napoleon still dictates that when a farmer dies his property be divided between his children, leading to the fragmentation of farms. The practice in Britain, where the *eldest son normally* inherits the land, may be seen by second and subsequent children as unfair but it has allowed efficient-sized holdings to be maintained.

In retrospect, however, the small acreages run by European farmers *virtually forced* them to co-operate in order to survive. Some of these long-established co-operatives, which handle and market almost all of their members' produce, are now huge and powerful. They are able to accept large orders for packaged produce amalgamated from their members and to deal on equal terms with big retailers.

Britain's farmers on the other hand did not see any need to co-operate. Furthermore, when it was recognised in the depressed 1930s that there was a need for better organised marketing of farm produce, the solution adopted was statutory marketing boards, which, by guaranteeing to market their produce, *tended* to insulate farmers from the marketplace.

It is hardly surprising therefore that British farmers are poor co-operators, and that many of their recent efforts to organise have ended in tears.

Meanwhile *the* big supermarkets – which are much more significant than in any other European Community country, claiming over 60 per cent of the food and drinks market between *them* – are tempted to buy abroad rather than from domestic producers, some of whom find it difficult to produce the quality required in the quantities required.

More recently the system of quotas imposed by the EC has inhibited UK farmers from increasing production to supply a bigger proportion of the home market. The EC milk quota, for instance, ensures that although British farms supply virtually all the milk required for liquid consumption, the UK has to import 35 per cent of its butter and 36 per cent of its cheese requirements.

Britain's EC sugar quota restricts UK production to just 56 per cent of its requirements, while co-responsibility levies paid by UK farmers on several commodities the EC has a surplus in but in which this country is not self-sufficient, act as a disincentive to production.

The food trade gap could of course be improved by greater exports of UK food or by successful import substitution, and many individual companies, together with the promotional organisation Food from Britain, are attempting both. The problem is lack of resources for advertising.

Food from Britain for instance has a total budget of £7.7m (compared with a total UK food industry turnover of about £40bn) of which £3.2m comes from the agricultural industry and £4.5m from the British government. Similar organisations in France and Germany receive up to 10 times more government aid, as well as matching contributions from farmers.

As Mr Paul Judge, the FFB chairman, told an all-party House of Commons select committee investigating the food trade gap last month: "It is hardly a level playing-field."

The danger is, if, as a result of ever declining margins, UK food availability falls back further, big food processors may decide to base themselves in other EC countries and treat Britain as an offshore island to be supplied from the mainland. Indeed I understand that Cadbury has already made such a move and other companies seem set to follow.

The problem hardly compares in magnitude to that facing Muscovites and St Petersburgers. But at a time when the UK's economy is not exactly booming it should surely concern the British government that the balance of payments is being eroded in this way. It certainly concerns me that, at a time when I am being urged to produce for the market, the market may be going elsewhere.

Statoil buys 15% of Norwegian Frigg field licence

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, yesterday improved its position for future gas exports to Britain by buying 15 per cent of the Norwegian part of the Frigg field licence from Elf Aquitaine Norge, the Norwegian unit of France's Societe Nationale Elf Aquitaine.

However, British Gas has broken off negotiations over buying Norwegian gas from the mid-1990s because the price was too high.

The Frigg deal, the value of which has not been disclosed, lifts Statoil's stake in the field's licence to 20 per cent, while reducing Elf's Frigg shareholding from 41.42 per cent to 26.42 per cent. It covers only the Frigg field infrastructure and not the few remaining gas reserves.

The Frigg field, one of the oldest producing Norwegian gas fields, began production in 1977. Last year's production is estimated at 2.4bn cubic metres, down from a peak of 21.5bn cu m a year in the 1980s. The gas is forecast to run out between 1993 and 1997.

Statoil said its stake in the field installations would now match more closely its stake in the Frigg-St Fergus pipeline, the only Norwegian gas pipeline to Britain, in which it has a 24 per cent share. From 1998 Statoil's stake in the pipeline will rise to 29 per cent under an existing swap agreement with Elf.

Mr Einar Berg, a Statoil spokesman, said that even when the Frigg field ran out of gas its installations would continue to serve as an important transit centre for future Norwegian gas exports to Britain.

Separately, Mr Berg confirmed that British Gas had broken off negotiations with Gasforhandlingsutvalg (GFU), a three-company consortium headed by Statoil, which sells gas on Norway's behalf. British Gas had been negotiating with GFU to purchase 5bn cu m of gas, worth an estimated NKr4bn (£355m), annually from 1995. The gas, equivalent to just under 10 per cent of current UK demand, would have entered Britain through the Frigg-St Fergus pipeline.

The company was negotiating with Norway to buy gas to replace the Frigg field's diminishing supplies. The field used to supply 25 per cent of UK demand, but now only manages eight per cent.

British authorities have yet to ratify a deal agreed last April in which National Power would buy 2.2bn cu m of Norwegian gas annually for 15 years from the mid-1990s. The deal – thought to be worth £150m – is viewed as a test case for the UK government's policy towards Norwegian gas imports following its last minute veto of the giant Sleipner deal in 1985.

British authorities maintain that the 1977 Frigg gas treaty will have to be amended to allow more gas to flow through the Frigg-St Fergus pipeline. Amendments to the treaty would have to cover issues such as jurisdiction and approval for gas from new fields to use the pipeline.

Mr Berg said: "We do not view amendments to the treaty as an obstacle to approval of the National Power deal or future new exports to Britain. We see it more as a formality then anything else."

WORLD COMMODITIES PRICES

MARKET REPORT

NICKEL prices touched seven-week highs at the London Metal Exchange yesterday before meeting profit-taking in after-hours trading. The three months delivery price peaked at $7,405 a tonne in thin afternoon trading as a rise encouraged by short-covering touched off stop-loss buying orders. Traders noted that sentiment had been changed by Friday's late news of possible production cuts by Falconbridge of Canada. The profit-taking trimmed the price back to $7,385 a tonne at the final kerb close, but that was still $157.50 up from Friday's close. Copper prices were in retreat until the equalling during the afternoon of last May's 1991 lows (in dollar terms) encouraged support buying. Dealers said Far Eastern buying was also supportive. At the close the cash position was quoted at £1,134 a tonne, down £16.50 on the day, while the three months delivery position was at £1,162.75 a tonne, down £17. Zinc prices were also under pressure but, like copper, finished off the bottom. Dealers said the market again fell prey to long liquidation in fairly brisk afternoon trade. The cash price, which fell $26 on Friday, lost another $28 to close at $1,117 a tonne, while the three months quotation was $19 down at $1,086.50 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.25-5.35q	-0.50
Brent Blend (dated)	$18.55-8.60	+0.75
Brent Blend (Feb)	$18.15-8.25	+0.75
W.T.I. (1 pm est)	$19.30-9.35q	+0.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$195-199	+1
Gas Oil	$170-171	+1.5
Heavy Fuel Oil	$84-85	-1
Naphtha	$185-187	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$348.95	-3.65
Silver (per troy oz)♣	392.0c	-7.5
Platinum (per troy oz)	$330.75	-6.25
Palladium (per troy oz)	$78.50	-1.50
Copper (US Producer)	100.32	-1.48
Lead (US Producer)	37.375c	+0.37
Tin (Kuala Lumpur market)	14.57r	-0.28
Tin (New York)	256.00c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.62p	-0.15*
Sheep (live weight)†♠	98.78p	
Pigs (live weight)†	84.24p	-4.44*
London daily sugar (raw)	$221.0t	-7.0
London daily sugar (white)	$268.0t	-4.0
Tate and Lyle export price	£225.5	-4.5
Barley (English feed)	£125.5	
Maize (US No. 3 yellow)	£147.5	
Wheat (US Dark Northern)	£101	
Rubber (Feb)♥	48.50p	
Rubber (Mar)♥	49.00p	
Rubber (KL RSS No 1 Feb)	214m	+1
Coconut oil (Philippines)§	$685t	
Palm Oil (Malaysian)§	$380u	
Copra (Philippines)§	$440.0t	-7.5
Soyabeans (US)	£140.0	-0.5
Cotton "A" index	60.60c	
Wooltops (64s Super)	415p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Feb t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	187.00	184.60	188.00 184.60
May	186.00	183.00	183.00
Aug	185.00		185.00
Oct	186.00	183.00	183.00
White	**Close**	**Previous**	**High/Low**
Mar	270.5	269.0	270.5 268.0
May	272.0	271.0	271.0 270.0
Aug	276.0	275.5	275.0 273.5
Oct	257.0	257.0	257.0 255.3
Dec	256.0	257.4	256.0
Mar	257.0	258.4	259.0 254.5
May	258.0	258.4	

Turnover: Raw 326 (302) lots of 50 tonnes. White 725 (1676). Paris- White (FFr per tonne): Mar 429.92 May 445.35

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Feb	18.12	18.12	18.32 17.93
Mar	17.95	18.05	18.17 17.80
Apr	17.86	17.86	17.96 17.71
Jun	17.75	17.66	17.86 17.75
Sep	18.05	18.00	[illegible]
IPE Index	18.35	18.27	

Turnover 20000 (22345)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jan	168.75	165.25	167.00 163.00
Feb	166.75	163.75	168.75 163.00
Mar	166.00	166.00	166.50 163.00
Apr	164.50	164.00	164.75 162.25
May	164.00	163.00	164.00 161.50
Jun	165.00		165.00 163.50
Jul	167.00	168.25	167.00 165.00
Aug	169.50	170.50	169.00 169.00
Sep	171.50	172.00	171.00 169.50

Turnover 12236 (13999) lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jan.6	Jan.3	mnth ago	yr ago
1594.3	1591.2	1621.2	1698.7

DOW JONES (Base: Dec. 31 1974 = 100)	Jan.3	Jan.2	mnth ago	yr ago
Spot	110.09	109.68	114.34	123.84
Futures	120.21	120.17	121.55	126.97

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	721	732	727 718
May	747	758	752 745
Jul	773	783	777 770
Sep	798	807	802 795
Dec	832	840	835 828
Mar	861	868	865 858
May	878	884	883 878
Jul	894	900	900 897
Sep	911	916	912 905
Dec	936	941	936 934

Turnover: 14007 (5348) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jan.3 822.78 (825.39) 10 day average for Jan.6 861.76 (867.98)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jan	994	983	990 978
Mar	981	965	990 975
May	986	966	990 976
Jul	989	980	1005 980
Sep	1015	994	1020

Turnover: 707 (2305) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Jan.3: Comp. daily 61.51 (61.25) 15 day average 62.98 (63.07). Sterling close: January £541, March £533

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	119.0	119.6	119.5 118.5
May	119.2	127.5	120.0 119.0

Turnover 82 (66) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	121.00	122.00	121.00
Jun	116.50		116.50

Turnover 8 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jan	1526	1507	1528 1500
Feb	1545		1545 1510
Mar	1555	1525	1558 1540
Apr	1570	1545	1570 1540
BFI	1479	1469	

Turnover 200 (108)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	125.40	125.70	125.40
Mar	128.65	129.15	128.60 128.40
May	132.10	133.85	132.10 132.00
Nov	115.00		115.25
Barley	**Close**	**Previous**	**High/Low**
Mar	122.55	122.70	

Turnover: Wheat 104 (113), Barley 0 (1). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	108.0	107.5	107.0
Feb	108.5	107.5	108.0 107.5
Mar	108.5	107.5	108.0 107.5
Apr	112.5	107.5	108.5 108.0
May	110.0	110.0	[illegible]
Jun	110.0	110.0	109.0
Jul	110.0		108.0

Turnover: 47 (24) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low
Index	128.64	128.68		

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 15,083 lots	
Cash	1105-6	1107-8		1104-4.5		
3 months	1129-30	1130-1	1132/1127	1128.5-9.0	1131-2	120,972 lots
Copper, Grade A (£ per tonne)					Total daily turnover 14,457 lots	
Cash	1133.5-4.5	1150-1	1132/1131	1131.5-2.0		
3 months	1162.5-3.0	1179.5-80.0	1164.5/1160.5	1161-1.5	1164-4.5	103,912 lots
Lead (£ per tonne)					Total daily turnover 16,121 lots	
Cash	288.5-7.5	289-9		287.25-7.5		
3 months	298-9	299-9.5	300/299	298.5-9.0	298-9	15,482 lots
Nickel ($ per tonne)					Total daily turnover 2,787 lots	
Cash	7350-60	7175-80		7225-30		
3 months	7403-5	7225-30	7405/7260	7280-5	7380-90	19,094 lots
Tin ($ per tonne)					Total daily turnover 1,340 lots	
Cash	5510-20	5515-20	5515	5510-5		
3 months	5565-75	5565-70	5570/5560	5583-5	5565-70	4,788 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 7,460 lots	
Cash	1116-8	1144-6	1135.5	1135.5-6.5		
3 months	1086-7	1105-6	1113/1086	1085-6	1090-1	40,381 lots

LME Closing £/$ rate: SPOT: 1.8770 3 months: 1.8476 6 months: 1.8172 9 months: 1.7893

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

GOLD COINS (Prices supplied by Engelhard Metals)

[illegible]

TRADED OPTIONS

[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	348.5	350.4	0	0
Feb	350.3	351.5	352.0	348.5
Mar	351.3	353.2	0	0
Apr	352.5	353.7	354.2	350.5
Jun	354.8	355.9	356.0	352.6
Aug	356.7	358.0	357.8	355.6
Oct	358.8	360.1	0	0
Dec	360.8	362.3	362.5	359.4
Feb	362.7	364.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	333.5	333.5	334.0	330.0
Apr	333.5	334.0	334.5	329.5
Jul	335.0	335.5	335.5	332.0
Oct	338.5	339.0	337.5	335.0
Jan	342.0	342.0	340.0	340.0

SILVER 5,000 troy oz; cents/troy oz.

[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5220	5214	5260	5115
Mar	5305	5296	5340	5215
May	5240	5200	5250	5180
Jun	5200	5150	5200	5120
[illegible]				

COCOA 10 tonnes;$/tonnes

[illegible]

COFFEE "C" 37,500lbs; cents/lbs

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

COTTON 50,000; cents/lbs

[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]

TEA

Only fair demand at generally lower rates, reports the Tea Brokers' Association. Landed Assams came to a selective market and prices for medium kinds declined by 10p to 15p. A few of the brightest East Africans sold at firm rates but brighter mediums lost 3p to 8p with the exception of pekoe dusts which were an improved feature and remained firm. Offshore, good demand. East African teas tended easier but central African description sold readily at fully firm levels. The highest price realised this week was 166p for a Rwanda pd. Quality: 150p/kg, nom good medium 116p/kg, medium 86p/kg, low medium 79p.

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	558/0	561/0	560/4	550/0
Mar	559/0	561/0	562/4	549/4
[illegible]				

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	72.27	71.92	73.05	72.10
Apr	73.25	72.92	73.82	73.17
Jun	68.60	68.42	69.25	68.57
Aug	66.45	66.40	67.20	66.40
Oct	66.90	66.90	67.50	66.80
Dec	67.95	67.85	68.35	67.75

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	39.50	38.95	40.45	39.47
Apr	38.40	37.30	38.80	38.35
Jun	43.77	42.47	43.97	43.70
Jul	44.37	43.17	44.67	44.27
Aug	42.85	41.85	43.35	42.80
Oct	40.45	39.50	41.00	40.40
Dec	43.05	42.40	43.90	43.00
Feb	44.40	43.40	44.90	44.40

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	36.75	35.50	37.60	36.15
Mar	36.15	35.80	37.80	35.80
May	37.42	37.10	39.10	37.00
Jul	37.82	37.30	39.90	37.35
Aug	36.90	36.60	38.60	36.55

LONDON STOCK EXCHANGE

Profits taken as turnover improves

By Terry Byland, UK Stock Market Editor

A REVERSAL of nearly 50 Footsie points during yesterday's equity session in London indicated the market's vulnerability to profit-taking after its sharp advance over Christmas. Wall Street performed steadily, and sterling was only slightly lower against the German D-Mark. But an early gain of 36 on the FT-SE Index was transformed into a loss of 10.9 in the face of a further spate of corporate downgradings by City brokers and a sudden shrinking of the premium on the Footsie futures contract.

The market opened firmly after weekend press comment had suggested a slackening in the political tension which has been prompted by Britain's economic situation. The investment mood was also helped by City forecasts that UK equities will advance again this year, in spite of the current uncertainty over the economic and political outlook.

Account Dealing Dates		
*First Dealings:		
Dec 30	Jan 13	Jan 27
Option Declarations:		
Jan 9	Jan 23	Feb 6
Last Dealings:		
Jan 10	Jan 24	Feb 7
Account Day:		
Jan 20	Feb 3	Feb 17

*New-time dealings may take place from 8.30 am two business days earlier.

Trading volume returned to more normal levels as Christmas 1991 faded into memory. The erosion of the premium on the FT-SE March futures contract in part reflected the success of marketmaking dealers in straightening out their trading books as they were freed from the straightjackets imposed over the holiday.

In early deals, the market moved to FT-SE 2,540, helped by the futures markets and Friday's 29-point gain on Wall Street. But trading then became markedly two-way, with the institutions willing to take profits on some of the sectors which had starred in the Christmas advance. Gains were lost, and with oil shares particularly weak in late trading the Footsie slipped steadily downwards. The final reading put the FT-SE Index at 2,493.2 for a decline on the day of 10.9 points.

Seaq volume totalled 492.4m shares against 452m on Friday. Traders maintained that "the market did not feel busy" but added that this was perhaps because business was healthily two-way, with both buyers and sellers able to transact their business without facing unduly large movements in share prices.

A leading agency broker downgraded its profit forecasts for two major sectors; both, the oils and the banks, have been the subject of previous downgrades within recent weeks. Bank stocks were targeted because of renewed fears of loan losses in their corporate business, while sharp falls in such leading oil producers as BP and Shell reflected concern about the impact of falling demand on the outlook for crude prices.

Second thoughts on the Christmas rally brought falls in several leading stores as profit-taking was prompted by adverse reports on holiday trading, which were emphasised by comments on Ratners, the high street retail jewellery group.

But, in spite of the persistent worries about the outlook for domestic interest rates should sterling come under pressure within the ERM range, there was some support yesterday for a number of the construction and building shares which have suffered so harshly from rate pressures.

Most of the blue chip internationals stood up well to weakness in the US dollar yesterday. But among the individual stocks to run into profit-takers, Glaxo, last year's star performer, shaded lower while Wellcome, one of the more ebullient performers of the Christmas rally, came back smartly. Eurotunnel units, however, were firmer.

FINANCIAL TIMES STOCK INDICES

	Jan 6	Jan 3	Jan 2	Dec 31	Dec 30	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.16	87.10	87.00	86.26	86.28	82.98	87.94 (18/9/91)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.65	97.41	97.15	96.61	96.72	90.93	97.65 (6/1/92)	90.59 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1906.5	1901.4	1886.0	1891.6	1896.6	1647.8	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	139.2	140.1	137.9	140.1	142.6	167.6	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2493.2	2504.1	2492.8	2493.1	2420.0	2113.3	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1137.86	1135.99	1130.42	1129.61†	1107.48	-	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.79	4.80	4.85	4.84	5.00	5.85				
●Earning Yld %(full)	7.18	7.20	7.28	7.28	7.51	12.19				
●P/E Ratio(Net)(☆)	17.51	17.46	17.27	17.25	16.71	9.92				
SEAQ Bargns 4.45pm	32,400	29,210	31,179	16,673	22,819	31,584				
Equity Turnover(£m)†	-	949.10	948.50	677.35	627.54	518.58				
Equity Bargains†	-	29,293	31,039	14,954	22,132	32,748				
Shares Traded (ml)†	-	387.5	383.2	297.6	256.2	256.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.52. † Partial.

Ordinary Share Index, Hourly changes — Day's High 1934.6 — Day's Low 1905.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1917.8	1932.7	1920.4	1912.5	1909.1	1908.9	1913.3	1910.0	1905.9

FT-SE 100, Hourly changes — Day's High 2540.1 — Day's Low 2492.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2523.7	2536.3	2519.1	2506.5	2503.0	2501.8	2507.8	2502.5	2492.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1147.00 — Day's Low 1137.75

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1147.00	1143.98	1139.33	1138.94	1138.15	1140.12	1138.44

GILT EDGED ACTIVITY

Indices*	Jan 3	Jan 2
Gilt Edged Bargains	59.6	63.9
5-Day average	42.6	36.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	87	375	-7	Cookson	245	112	+4	Lucas	2,000	116	+4	Shell Transport	5,600	488	-10
ASDA Group	4,500	33	+1	Courtaulds	997	517	+1	MB Caradon	2,400	264	-1	Siebe	298	534	+4
Abbey National	1,500	293	-2	Dalgety	125	384	+1	MEPC	508	395	-1	Slough Ests	630	227	-1
Albert Fisher	1,600	73	+1	De La Rue	304	483	+2	Manweb	2,400	322	-8	Smith (W.H.) A	811	439	-6
Allied-Lyons	1,600	634	+1	Dixons	2,700	199	-5	Marks & Spencer	4,900	251	-1	Smith & Nephew	1,300	138	-½
Amstrad	3,500	24		ECC Group	317	463	+2	Midland Bank	773	213	-2	SmKl Beechams	1,600	900	-3
Anglian Water	554	332	+5	Eastern Elect.	285	233	-7	Midlands Elect.	527	267	-13	SmKl Beecham Uts.	188	4150	-30
Argos	780	256	-15	East Midland Elect.	84	249	-12	NFC	917	296		Smiths Inds.	235	274	+1
Argyll Group	3,400	277	+3	Enterprise Oil	856	434	-11	NatWest Bank	6,100	270	-15	Southern Elect.	94	263	-10
Arjo Wiggins	668	250	-1	Eurotunnel Units	637	420	+22	National Power	2,400	144½	-½	South Wales Elect.	25	311	-4
Ass. Brit. Foods	85	459	-8	FKI	786	53	+1	Next	2,100	58	-½	South West Water	754	317	+10
BAA	616	535	+3	Ferranti	1,100	6	+¼	North West Water	1,100	339	+1	South West. Elect.	440	244	-5
BAT Inds.	3,800	624	+9	Fisons	5,400	339	-3	Northern Elect.	208	263	-8	Southern Water	832	312	+2
BET	298	200	-2	Forte	724	229		Northern Foods	481	537	+5	Standard Chartd.	1,800	433	+11
BICC	407	325	+5	Gen. Accident	692	491	+8	Norweb	764	286	-14	Storehouse	1,100	99½	+2½
BOC	1,300	617	+2	General Elect.	1,700	192½	-2½	Pearson	1,000	720	+8	Sun Alliance	1,700	303	+3
BPB Inds.	555	143	+7	Glaxo	4,000	845	-8	P & O	596	438	+2	T&N	1,200	117	+1
BTR	3,200	397	+1	Glynwed Int.	1,300	211	+1	Pilkington	1,200	132	+1	TI Group	300	539	+8
Bank of Scotland	1,700	116	-2	Granada	401	184	-1	PowerGen	1,300	153	-2	TSB	2,700	116	-1
Barclays	4,000	364	-9	Grand Met.	3,100	911	+13	Prudential	3,500	243	-3	Tarmac	3,000	120	
Bass	807	1019	+12	GUS A	507	1304	-28	RHM	929	247	-3	Tate & Lyle	981	413	+8
Berisford Int.	74	16		GRE	6,400	121	+3	RMC	243	561	-2	Taylor Woodrow	828	120	-9
Blue Circle	2,100	227	+1	GKN	961	297	+4	RTZ	2,800	497	+7	Tesco	3,800	224	-1
Booker	421	436	+2	Guinness	2,300	553	+11	Racal	7,100	52	+1	Thames Water	1,100	329	+5
Boots	2,700	424½	+1½	Hammerson 'A'	23	473	-2	Rank Org.	397	601	+1	Thorn EMI	778	758	+6
Bowater	570	678	+1	Hanson	10,000	201½	-2	Reckitt & Colman	824	869	+15	Tomkins	1,400	425	+6
Brit. Aerospace	1,600	288	-3	Hanson Warrants	822	29½	-½	Redland	1,600	451	+13	Trafalgar House	1,507	129	-2
British Airways	2,400	228	-3	Harrisons Crosfield	423	139		Reed Intl.	1,000	548	-2	Ultramar	692	271	+5
British Gas	5,100	240	-3	Hawker Sidd.	118	750	-1	Rentokil	222	397		Unigate	268	278	+6
British Land	343	253	+2	Hillsdown	770	182	-3	Reuters	1,100	1055	+11	Unilever	1,700	890	-9
BP	9,400	278	-12½	IMI	372	229	+3	Rolls Royce	3,500	129	-1	United Biscuits	1,100	402	+8
British Steel	6,300	69	-1	ICI	1,400	1194	+1	Rothmans	467	1145	+12	Utd. Newspapers	714	344	+4
British Telecom	3,700	331	-2	Inchcape	964	387	-4	Ryl Bk Scotland	617	182	-1	Vodafone	1,300	375	-2
Br. Telecom New	20,000	125¼	+½	Kingfisher	2,200	446	-18	Royal Insurance	510	253	+19	Warburg (SG)	240	522	+6
Bunzl	2,900	87	+6	Ladbroke	2,000	223	+3	Saatchi	15,000	13½		Wellcome	2,200	1062	-29
Burmah Castrol	317	459	-2	Land Securities	673	451		Sainsbury	1,900	360	+1	Welsh Water	373	348	+1
Burton	8,200	37	-2	Laporte	560	613	+5	Scottish & New.	1,100	418	+2	Wessex Water	180	375	+3
Cable & Wire.	2,100	596		Legal & General	592	383	+1	Scot. Hydro-Elect.	2,200	107	+1½	Whitbread 'A'	1,300	463	+13
Cadbury Schweppes	1,600	445	+9	Lloyds Abbey	400	361	+6	Scottish Power	5,900	107	+1	Williams Hldgs.	2,700	298	+2
Caler Group	117	211	+3	Lloyds Bank	1,300	394	-6	Sears	601	94	-3	Willis Corroon	1,000	234	-3
Carlton Comms.	621	513	+6	LASMO	3,000	233	+3	Sedgwick	280	213	+1	Wimpey	445	119	-4
Coats Viyella	491	170	-2	London Elect.	1,900	251	-1	Seaboard	241	259	-10	Yorkshire Elect.	1,600	308	-7
Comm. Union	720	500	+4	Lonrho	3,100	177	+7½	Severn Trent Water	1,200	301	-4	Yorkshire Water	105	354	+4

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

Setback for oil majors

A SERIES of forecast reductions for oil prices and company earnings and dividends by a number of leading broking houses left the oil majors in disarray, with the sector relative at its lowest level since 1989.

At the end of a busy session in the oils, BP was 12½ down at 278p on heavy turnover of 9.4m shares, Shell 10 lower at 488p on 4.3m and Enterprise 11 weaker at 434p on 856,000.

The oil price forecast cuts were instigated by James Capel and Hoare Govett, and are likely to be followed by other brokers, according to dealers. James Capel was thought to have lowered its oil estimate to $20 a barrel from $21, and Hoare said it had shifted its forecast to $20.

The real damage to BP's share price, however, came from the earnings and dividend reductions said to have been carried out by Capel, which was thought to have reduced its full-year net income estimate for BP to £950m. This compares with a majority of estimates above £1bn. The broker was also thought to have adopted a cautious line on fourth-quarter dividend expectation. Oil companies have been hit by a combination of falling oil prices and adverse currency movements.

Eurotunnel firm

A French press report that Eurotunnel was close to settling its dispute with contractors TML sent the former's shares leaping 22 to 420p. The financial daily Agefi reported that an agreement would be concluded this month and that Eurotunnel's provisions for the deal, made in its last accounts, would cover most of the cost of the renegotiated construction contract.

BAe lacks support

The implications of negative speculation at the weekend regarding British Aerospace's (BAe) chances of winning the second phase of the £2.5bn Al Yamamah defence contract continued to depress the shares yesterday.

The company's insistence that these negotiations are at an advanced stage, was counterbalanced by news yesterday that US sales of the Range Rover, manufactured by Rover, BAe's UK car manufacturing subsidiary, fell by nearly 28 per cent last year. This blow follows a bearish note last week from Nomura, the Japanese securities house, which reportedly referred to disparaging remarks about Rover by Sir Peter Levene, the former head of Britain's defence procurement. After an initial fall to 282p, the shares rallied to close 3 down at 288p.

BT "new" edged higher to 125¼p on heavy turnover of 20m shares; today is the last session in which S.G. Warburg Securities, the global co-ordina*tor of the government's sale, is* allowed to "stabilise" the share price.

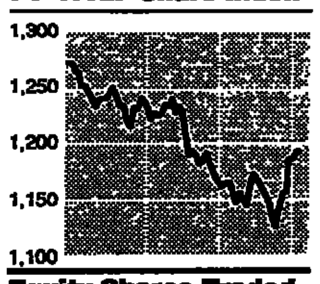
Bank shares were among the weakest of the Footsie constituents, upset by continuing worries about the level of provisions against bad debts to be included in their preliminary figures, expected next month. Adding to the gloom in the sector was a story that one leading UK agency broker had downgraded the whole of the sector.

One stock to stand out against the trend was Standard Chartered, where a flurry of buying, part speculative and part recovery, left the shares 11 higher at 433p on relatively heavy turnover of 1.9m shares.

The downgrade stories weighed heavily on NatWest, which dropped 15 to 270p in exceptionally heavy trading of 6.1m, and Barclays, down 9 at 364p on 4m. More downgrades and sell recommendations on NatWest are said to be in the pipeline.

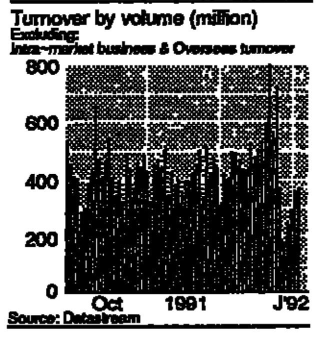
Composite insurers were well supported, with buying interest prompted by a positive note from Kleinwort Benson Securities. Kleinwort said it believed: "The worst is now behind the sector, which may now be at the bottom of the trading range; sustained outperformance is expected later in the year." Its best buy in the sector is Guardian Royal Exchange, up 3 at 121p on very heavy turnover of 5.1m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Source: Datastream

Health and household sector shares reversed early gains as investors took profits after the recent rallies. Sellers were also motivated by weekend press reports that leading drugs companies were likely to face pressure to cut their prices.

Wellcome was finally down 29 at 1062p, after touching 1119p, as investors reconsidered reports on tests for a new combination Aids treatment using two Wellcome drugs. The shares had risen sharply on the reports last week. Glaxo lost 8 on the day at 845p after being up 15 initially.

SmithKline Beecham held steady for most of the session, receiving some support from news that the US Food and Drug Administration had approved a minor drug. However, the shares slipped later to close 3 off at 900p.

ICI managed to remain firm at 1194p following recent comment about the company's anti-cancer drug.

Ratners shares, under relentless downward pressure since October last year, dropped to a record low of 18p before stabilising and ending a difficult session only marginally easier at 21¼p. Turnover in the shares reached 4m.

The latest slide was triggered by a number of bearish stories in the weekend press suggesting that the company had endured a decline in sales *over the Christmas period.* But the stock picked up after hints in the market that a number of big management changes may be in the pipeline, along with a debt restructuring programme.

Other retailing shares also took a pasting. Argos, the specialist catalogue-showroom retailer, dropped 15 to 256p and Kingfisher, weakened by a bearish review of the DIY companies published by the influential County NatWest retailing team, fell 18 to 446p.

Details of J. Sainsbury's price-cutting promotion were received calmly by the market and food retailing shares perked up as dealer took the view that the move was nothing out of the ordinary. Sainsbury managed a minor gain at 360p, Asda hardened to 33p and Tesco eased a fraction to 224p. Argyll edged up 3 to 277p. A Kleinwort Benson note, highlighting the "generous" yields on food shares boosted Unigate, 6 higher at 278p. Takeover speculation revived in Cadbury-Schweppes, up 9 at 445p, and in United Biscuits, 8 firmer at 402p.

Strong brewery shares reflected the continuing pressure imposed by one big buyer in a tight sector last week. Bass, up 12 to 1019p, was helped by a buy note from Panmure Gordon; Whitbread continued to recover and gained 13 to 463p; and Grand Metropolitan and Guinness improved 13 to 911p and 11 to 553p respectively as investors sought out quality stocks.

Ladbroke attempted to instill some new year cheer into its recent poor form with *the announcement that its* Texas DIY chain had increased sales over the Christmas period by 15 per cent. The shares put on 3 to 223p, but analysts were less enthusiatic.

Paul Heath at UBS commented: "Despite the fact that they took 25 per cent off everything at Texas anyway, I am more worried that recent dollar movements are going against Ladbroke."

Profit-taking took the wind out of Airtours' sails in spite of the group announcing a deal with the leading holiday tour operators to sell Airtours packages. The announcement, made towards the end of trading, could not halt the share slide of 21 to 874p.

Eurocamp, which has a contract with the Disney venture, gained 4 to 306p on healthy bookings.

Buying in a tight market ensured strength in Reuters Holdings, which ended 11 up at 1055p after being 25 ahead at one stage, with volume reaching about 1m shares. Observers said general optimism was being driven by hopes of a forthcoming share split.

Conglomerate BTR suffered initially from speculation – soon rejected – regarding the wellbeing of its chief executive. The shares fell 7 against the market on talk that Mr Alan Jackson would be retiring through ill health. However, securities houses telephoned the company and satisfied themselves that the talk was, in the words of one analyst: "A classic market rumour that swept around and went as quickly as it came." The stock rallied to close a penny firmer on balance at 397p with 3.2m shares traded.

MARKET REPORTERS:
Peter John,
Christopher Price
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (83).
BRITISH FUNDS (3) Treas. 8½pc 2007 A, Treas. 2pc IL '92, Treas. 3pc '92, OTHER FIXED INTEREST (4) GLC 6¾% '90/92, Ireland Cap. 8½% Ln. 2010, Met. Wtr. 3% B, Manchester 11½% 2007, AMERICANS (2) Amdahl, Quaker Oats, CANADIANS (2) Brascan, Can. Pacific 4pc Deb., BANKS (1) Standard Chartered, BREWERS & DISTILLERS (8) Grand Met., Greenalls, Do. 5.95pc Prf., Guinness, Do. 5¾pc Prf., Do. 8¾pc Prf., Matthew Clark, Scottish & Newcastle, BUSINESS SERVICES (2) Rentokil, Serco, CHEMICALS (3) BOC, Courtaulds, Wolstenholme Rink, ELECTRONICS (4) ACT, Elec. Data Procg., Norsk Data, Rademec, ENGINEERING GENERAL (3) Bogod A, Weir, Whessoe, FOOD MANUFACTURING (5) BSN, Cadbury Schweppes, Everest, Tate & Lyle, Do. 7.25p Prf., FOOD RETAILING (1) Iceland, HEALTH & HOUSEHOLD (5) Amersham Intl., Astra, London Intl., Mayborn, Seton Healthcare, HOTELS & LEISURE (4) Courtyard, Euro Disney, Stanley, Tottenham Hotspur, INVESTMENT TRUSTS (1) Second Mkt., MEDIA (4) Reed Intl., Reuters, Sunset & Vine, Ulster TV, OTHER FINANCIAL (1) Templeton, Galbraith OTHER INDUSTRIAL MATERIALS (1) Tomkins, PACKAGING, PAPER & PRINTING (3) Bowmore Intl., CMB Pkg., De La Rue, TELEPHONE NETWORKS (2) Cable & Wireless, Telefonica, TEXTILES (1) Campari Intl., TRANSPORT (3) BAA, NFC, Sea Containers.
NEW LOWS (32).
AMERICANS (1) Hasbro, CANADIANS (1) TVX Gold, BUILDING MATERIALS (1) European Colour, CONTRACTING & CONSTRUCTION (1) Barlis, ELECTRICALS (1) Dewhurst A, ELECTRONICS (1) Norsk Data, ENGINEERING AEROSPACE (1) Brit. Aerospace, ENGINEERING GENERAL (1) WB Inds., FOOD MANUFACTURING (1) Grand Central, HOTELS & LEISURE (2) Marina Devs., Pickwick, INSURANCE COMPOSITE (1) Hafnia, INVESTMENT TRUSTS (2) General Cons., M & G 2nd Dual Inc., MEDIA (2) Black (A & C), Shandwick, MISCELLANEOUS (1) Abbeycrest, OIL & GAS (1) Hardy, OTHER FINANCIAL (3) JF Asia Select Wrrnts., JF Indonesia, King & Shaxson, PACKAGING, PAPER & PRINTING (1) Waverley Cameron, PROPERTY (3) Bolton, Marchheath, Palmerston, STORES (3) Goldsmiths, Ratners, Do. 6⅞pc Prf., MINES (4) Angloveal, De Beers Ltd. Uts, Hartebeest, Wstn. & Pac. Res.

EQUITY FUTURES AND OPTIONS TRADING

HEFTY premiums in the financial futures market ensured considerable selling pressure and subsequent volatility yesterday, writes Peter John.

In the cash market, prices were marked up sharply at the opening to catch any panicky buyers who had missed out on the Christmas holiday rises. As a result the Footsie future for March delivery jumped some 37 points. This left it at a 52-point premium to cash and some 24 points above its estimated fair value.

It was at an ideal level for the arbitrageurs, who moved in and brought the price and the premium back down. March closed at 2,533, with 8,265 contracts dealt and the premium reduced to 41 points.

The gap between cash and the Footsie future was also narrowed by a large trade in the traded options market. One UK investment bank sold 2,000 of the March 2,400 calls at around 180.

The same house also carried out a large "buy-write" trade in Cadbury options, ensuring it was the day's most active stock option with 2,309 lots dealt. It sold, or wrote, 1,000 May 460 calls at 25 and bought stock in the market.

The two trades helped total turnover to reach a still uninspiring 24,672 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
12¾pc 1992‡‡		100⅛xd	—	101½	100⅛	12.73	—
10pc 1992		99⅞	—	100⅛	97⅞	10.02	10.30
2pc IL 1992‡‡		185	+1/16	185	125⅞	1.96	8.23
8pc 1992‡‡		99⅛	—	99⅛	95⅞	8.08	10.30
10½pc Cv 1992‡‡		100	—	100⅛	98½	10.50	10.36
3pc 1992		97⅞	+1/32	97⅞	91⅛	3.07	8.43
Exch 12¼pc 1992		101	—	102⅛	100⅝	12.13	10.47
13½pc 1992		102	—	104⅛	101⅛	13.24	10.34
Treas 8¾pc 1993		98	—	98⅛	94	8.42	10.12
10pc 1993‡‡		99⅞	—	100⅛	97⅞	10.01	10.02
12½pc 1993‡‡		103⅛	—	104⅛	102⅛	12.08	10.04
Funding 6pc 1993‡‡		95⅛	+1/16	95⅛	89⅝	6.30	9.01
Treas 13¾pc 1993‡‡		106⅞	—	108⅛	105⅝	12.85	10.00
8½pc 1994		97⅞xd	+1/16	97⅞	92⅞	8.71	9.83
14½pc 1994‡‡		108⅞	—	111⅛	108⅞	13.37	10.02
Exch 13½pc 1994		106⅞	—	109	105⅞	12.62	9.99
Treas. 10pc Ln. 1994‡‡		100⅛	+1/16	101⅛	96⅞	9.96	9.88
Exch 12½pc 1994		105⅞	—	107⅛	103⅝	11.84	10.02
Treas 9pc 1994‡‡		98	-1/32	98⅞	93⅛	9.18	9.80
12pc 1995		105⅝xd	-1/32	106⅞	102⅞	11.59	9.91
Exch 3pc Gas 90–95		88⅛	—	89	82⅛	3.40	6.51
10¼pc 1995		101⅛xd	-1/16	102⅛	98⅞	10.14	9.86
Treas 12¾pc 1995‡‡		109	-1/16	110⅞	105⅞	11.70	9.86
14pc 1996		112⅞xd	-1/16	114⅞	109⅞	12.42	10.09
9pc 1992–96‡‡		98⅞	-1/32	99⅞	92⅞	9.15	9.44
15¼pc 1996‡‡		117⅞	-1/16	119⅞	115⅞	12.94	10.05
Exch 13¼pc 1996‡‡		111⅞	-1/32	112⅞	106	11.93	10.02
Conversion 10pc 1996		100⅞	—	101⅞	95⅞	9.93	9.80
Five to Fifteen Years							
Treas 13¼pc 1997‡‡		112⅝xd	-1/32	114⅜	108⅞	11.70	9.99
Exch 10½pc 1997		102⅞	-1/32	103⅞	97¼	10.24	9.82
Treas 8¾pc 1997‡‡		95⅞	-1/32	96⅞	89⅞	9.13	9.72
Exch 15pc 1997		121⅛	+1/32	123⅛	117	12.36	10.04
9¾pc 1998		100⅛xd	+1/16	100⅞	93⅞	9.74	9.71
Treas 6¾pc 1995–98‡‡		88⅞	+1/32	88⅞	80⅝	7.63	9.18

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
15½pc '98‡‡		126⅞	-1/16	129¾	121¾	12.21	9.91
Exch 12pc 1998		110⅞	+1/16	111⅞	104⅞	10.84	9.80
Treas 9½pc 1999‡‡		99⅞	+1/16	100⅞	92⅞	9.52	9.53
Exch 12¼pc 1999		112⅞	+1/16	113⅝	105⅞	10.90	9.81
Treas 10½pc 1999		104⅛	+1/16	104⅞	97⅞	10.08	9.70
Conversion 10¼pc 1999		103⅛	+1/16	103⅝	95⅞	9.95	9.69
9pc 2000‡‡		97⅛	+1/16	97⅞	89⅛	9.27	9.52
Treas 13pc 2000		117⅞	+1/16	118⅞	110½	11.02	9.84
10pc 2001		102⅞	+1/16	103⅛	94⅞	9.76	9.57
14pc '98–01		118⅞	+1/16	119⅞	113⅞	11.80	9.97
9¾pc 2002		101⅞	+1/16	101⅞	92⅞	9.60	9.51
10pc 2003		103⅛	+⅛	104⅛	94⅞	9.66	9.47
Treas 11½pc 2001–04		110⅛	—	111	102	10.43	9.77
Funding 3½pc '99–04		81⅞	+1/16	82⅛	53⅛	5.60	8.52
Conversion 9½pc 2004		100⅞	+⅛	100⅞	90⅞	9.48	9.46
9½pc 2004 A		100⅞	+⅛	100⅞	90⅞	9.48	9.46
9½pc 2005		100⅞	+⅛	100⅞	90⅞	9.47	9.44
Treas 12½pc 2003–05		121	+⅛	121⅞	111	10.33	9.50
8pc 2002–06‡‡		89⅞	+1/16	89⅞	79⅞	8.89	9.44
Over Fifteen Years							
Treas 11¾pc 2003–07		115⅞xd	+⅛	115⅞	105⅞	10.21	9.51
8½pc 2007‡‡		93⅞xd	+1/16	93⅞	84⅞	9.12	9.34
8½pc 2007 A●		29	+1/16	29⅛	18⅞	9.12	9.33
13½pc '04–08		128½	+⅛	129⅞	118⅞	10.51	9.50
9pc 2008‡‡		97⅛	+⅛	98	88⅞	9.28	9.32
8pc 2009		88⅞	+⅛	89⅛	80	9.02	9.31
Conv 9pc Ln 2011‡‡		97⅛	+⅛	97⅞	88⅛	9.25	9.30
9pc 2011 A		95⅞	—	96⅞	91⅞	9.51	9.30
Treas 5½pc 2008–12‡‡		65½	+⅛	66	58⅞	8.40	9.27
7¾pc 2012–15‡‡		85⅛xd	+⅛	85⅞	76⅞	9.11	9.33
Exch 12pc '13–17		124⅞	+⅛	125¼	113⅞	9.64	9.34
Undated							
Consols 4pc		41⅞	+1/16	41¾	37⅞	9.66	—
War Loan 3½pc‡‡		37⅛	+1/16	37⅝	33⅞	9.43	—
Conv 3½pc '61 Aft		60⅞	+1/16	60⅞	57⅞	5.80	—
Treas 3pc '66 Aft		30⅞	+1/16	30⅞	28⅞	9.87	—
Consols 2½pc		25⅞	+1/16	25⅞	23⅞	9.65	—
Treas. 2½pc		25⅞	+1/32	26⅛	23⅞	9.74	—

BRITISH FUNDS - Cont.

Index – Linked	Notes (b)	Price £	+ or -	1991/92 high	1991/92 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	122⅞	+⅛	129⅜	115⅜	2.98	3.97
2pc '96	(67.9)	176⅞	+⅛	177⅞	169⅞	3.58	4.14
2½pc '01	(78.3)	143⅞	+⅛	145⅞	137⅞	4.06	4.37
2½pc '03	(78.8)	139⅞	+⅛	141⅞	133	4.13	4.39
2pc '06	(69.5)	141⅞xd	+⅛	143⅞	135	4.28	4.40
2½pc '09	(78.8)	129⅞	+⅛	131⅞	124⅞	4.22	4.41
2½pc '11	(74.6)	132⅞	+⅛	135⅞	128⅞	4.29	4.40
2½pc '13	(89.2)	109⅞	+⅛	111⅞	105⅞	4.23	4.39
2½pc '16	(81.6)	116⅞xd	+½	119⅞	113⅞	4.22	4.37
2½pc '20	(83.0)	111⅞	+½	113⅞	109⅞	4.22	4.36
2½pc '24‡‡	(97.7)	92¼xd	+½	95⅛	90⅞	4.28	4.33

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1991: 133.1 and for November 1991: 135.6.

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010		107⅞	+1/16	107⅞	95⅞	10.70	10.22
Asian Dev 10¼pc 2009		102⅞	+⅛	102⅞	91⅞	10.33	9.98
B'ham 11½pc 2012		105⅞	+1/16	105⅞	100½	11.33	10.85
Ireland Cap 8½pc '10		99⅞	+⅛	99⅞	89½	8.80	—
9pc Cap 1996		98⅞	+⅛	99	93	9.17	—
13pc '97–02		114½	+¼	115	109½	11.35	—
GLC 6¾pc 1990–92		99⅞	+¼	99⅞	93½	6.82	9.20
Hydro Quebec 15pc 2011		132⅞	+1/16	133⅞	120⅞	11.10	10.93
Int-Am Dev 12½pc 2003		115⅞	+¼	116⅞	105⅞	11.09	10.10
9¾pc 2015		97⅞	+¼	97⅞	86⅞	10.37	10.06
Leeds 13½pc 2006		118¼	+¼	119½	110½	11.00	11.00
Liverpool 3½pc Irred		30½	—	31	28	11.67	—
LCC 3pc '20 Aft		27½	—	27½	26	11.11	—
Manchester 11½pc 2007		106	+1¼	106	97½	11.27	10.76
Met. Wtr. 3pc 'B'		54	+½	54	52	5.77	9.98
N'wide Anglia 3⅞pc 2021		104¾	-¼	105¾	102	—	5.52
4¼pc IL 2024		105	—	107¼	104	—	5.23
Sth Rhod 87–92 Asstd		88½	—	88½	84½	4.82	—
Utd Mex States 16½pc 2008		128¾	+¼	125½	101	13.33	12.86

APPOINTMENTS

MD for Provident

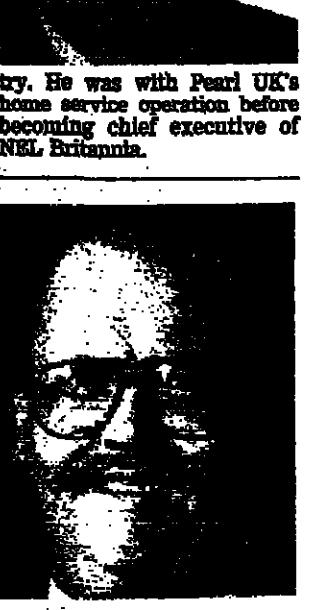
Winterthur, the Swiss insurance giant, is introducing a new managing director at its UK life insurance subsidiary, PROVIDENT LIFE. John Finan, now 53, is to take over as managing director from Peter Vogel, who has been in charge for the past year and will return to head office to help plan Winterthur's drive into other international life insurance markets.

The Basingstoke-based Provident, which was taken over by Winterthur in 1980, sells its products via independent financial advisers and 600 tied estate agents. Finan has a long involvement in the life industry. He was with Pearl UK's home service operation before becoming chief executive of NEL Britannia.

Insurance moves

INFOCHECK Group, the credit agency, is stepping up its involvement in the credit insurance field with the recruitment of Robert Lilley, a director with brokers Jardine Credit Insurance.

After a long career at Trade Indemnity, the UK's biggest trade credit insurer, Lilley, now 42, knows the business well. While at Jardine he worked with Infocheck on the development of an on-line turnover policy which was launched a year ago with the support of AMA Underwriting Agencies and credit insurance brokers.



■ Roger Major (above), formerly a director of Meacock Samuelson & Devitt, has joined WINDSOR as director and head of its reinsurance team. Christopher Pitchford is appointed md of Lyon Lohr (Life and Pensions), part of Windsor.

■ Neil Eckert is appointed to the boards of The BENFIELD Group and Benfield, Lovick & Rees.

■ Stephen Bryant and Michael Newfield are appointed directors of PIERI (Underwriting Agencies).

■ David Wallis is appointed chief executive officer of BCS Management and Alan Cleary, chief executive of MERRETT's insurance services division, becomes chairman.

■ Hywel Bevan has become deputy chairman of SEDGWICK JAMES (London) on the retirement of Paul Dingli.

■ Michael Shimmonds is promoted to deputy chairman of GREIG FESTER; he is replaced as group finance director by Frank Hitchman.

■ Richard Matthews has been appointed director of operations for the consumer insurance activities of the FRIZZELL Group; in his place Terence Trinder is to be appointed md of Frizzell Banking Services; he moves from Security Pacific Holdings.

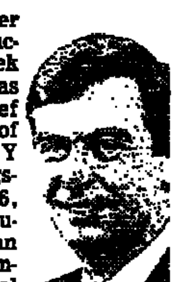
■ Sir Stephen Waley-Cohen, a non-executive director since 1986, is the new chairman of WILLIS FABER & DUMAS (AGENCIES); he succeeds John Wooderson, who is appointed chairman of Willis Corroon Americas.

■ Peter Downing is promoted to finance director of NRG Victory Reinsurance.

■ Donna Moore, 51, a former senior vice president of Disney stores, will next month take up the post of president of LAURA ASHLEY's north American division, which runs more than 180 retail outlets.

She takes over a slightly different role from the one vacated by Terry Smith who resigned in November. Jim Maxmin, the American who became chief executive in July, has been quick to stamp a different management culture on the group and run the business as a single international operation rather than a series of fragmented national organisations.

He says he was particularly attracted to Moore's "unique insight into brand marketing".



John Poulter (right) has succeeded Derek Kingsbury as group chief executive of FAIREY Group. Kingsbury, 66, remains executive chairman until the company's annual meeting in April when he is to become non-executive chairman.

Poulter, 50, joined Fairey in April 1988 and has been group managing director for the past three years. He previously worked for BTR, Thomas Tilling and Cambridge Instruments Group.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs		38¼xd	+¼	38⅝	20⅞	16,416	1.5
Allegheny & W		244p	+1	395p	218p	126.1	6.9
Amdahl		849pxd	+19	19⅛	667p	942.4	0.7
Amer Cyanamid		34⅜	—	42⅛	25⅞	3,240	2.4
Amer Express		11⅛xd	−⅛	17⅞	9⅛	5,284	5.1
Amer T & T		21¼xd	+⅛	24½	15¼	27,758	3.5
Ameritech		34½	—	38⅞	32½	15,105	5.6
BankAmerica		19[illegible]xd	−⅞	28[illegible]	12[illegible]	4,334	3.4
Bankers NY		34½xd	+[illegible]	38[illegible]	20[illegible]	2,699	7.9
Bell Atlantic		25xd	−⅛	30½	24¼	16,225	5.4
BellSouth		25	−⅛	31¼	25	13,581	5.5
Bethlehem Steel		7¼xd	+¼	11¼	6[illegible]	590.7	2.9
Bowater		1136p	−60	1839p	1042p	486.9	6.0
CPC		48⅜xd	−[illegible]	54[illegible]	37[illegible]	3,556	2.3
California Engy		633p	+2	850p	420p	161.7	—
Campbell Soup	h	22[illegible]xc	−⅞	25	14⅛	6,560	1.8
Chase Manhattan		9[illegible]	−[illegible]	12¾	5[illegible]	1,369	7.2
Chrysler		7¼xd	+[illegible]	9[illegible]	5⅜	2,078	4.6
Citicorp		5⅞xd	+¼	18⅞	4⅝	2,018	—
Colgate-Palm		25⅝xd	−[illegible]	28⅝	21[illegible]	3,728	2.3
Cont'l Bank		528p	+22	926p	439p	683.6	6.4
Dana		14[illegible]xd	−[illegible]	21⅝	13⅝	598.6	6.2
Data General		658p	−21	1282p	203p	236.2	—
Dial		24¾xd	+⅜	25⅝	12⅞	982.7	3.2
Dun & Brad		29½	−⅜	30⅝	20¾	5,264	4.7
Eaton		33½	−⅜	40	24¼	1,149	3.7
Echlin		7[illegible]xd	+[illegible]	8½	5½	415.3	5.3
FPL		19⅝xd	+[illegible]	22⅛	14[illegible]	3,326	6.9
Fluor		23¼xd	+¼	30[illegible]	17[illegible]	1,882	1.0
Ford Motor		16¼xd	+⅝	23⅛	13	7,892	3.5
Gen Elect		40[illegible]xd	—	40[illegible]	28[illegible]	38,476	2.8
General Host		376p	−10	665p	270p	—	5.4
Gillette		29[illegible]xd	−⅞	45¾	20⅞	6,327	1.2
Hasbro		21	−½	21½	794p	1,264	0.8
Honeywell		34⅛xd	−⅜	39½	21¾	2,379	2.7

AMERICANS (continued)

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING AEROSPACE

ENGINEERING GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MISCELLANEOUS - Cont.

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

OTHER FINANCIAL

TELEPHONE NETWORKS

PROPERTY

TEXTILES

MEDIA

MOTORS

TRANSPORT

WATER

MERCHANT BANKS

OIL & GAS

OTHER INDUSTRIAL MATERIALS

SOUTH AFRICANS

METALS & METAL FORMING

PLANTATIONS

STORES

MINES

PACKAGING, PAPER & PRINTING

MISCELLANEOUS

	Price	+or-	1991/92 high	low	Mkt Cap £m	Yld Gr's
‡‡Kells Mins I£	41	–1	48	33	8.99	–
♣Kenmare	4½	–½	25	4	4.32	–
‡‡Navan Res I£ n	18	+2	28	15	8.98	–
Northgate Expl C$ s	40	—	98	39	8.06	–
North West Expl A$	6	—	16	5	2.02	–
Oryx Gold $	98¾	+1	188	82	–	–
‡‡Ovoca Gold I£	8	–2	23	8	0.58	–
Plateau	12½	—	44	12	2.34	–
■RTZ	497	+7	605	404	4,955	5.2
♥Thorco Res	4⅝	–⅛	11	3¼	–	–
♣Vizcaya	2½	—	18	2	1.34	–
♥Western & Pac C$	10¾	–¼	152	10¾	5.98	–
♣Young Grp	105	—	133	105	9.90	8.5

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield: p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment schemes.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1990.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1989-90.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

London Share Prices

London share prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT.
To obtain your free share Code Booklet ring (071 925-2128)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Inc	6	117.1	117.1	124.3	+0.1	9.25
High Inc Equity	6	122.1	125.2xd	133.1	+0.6	6.39
Worldwide Bond	6	215.8	215.8xd	229.1	+0.3	6.55
Capital Growth						
American Growth	6	200.0	200.0	213.9	-0.1	1.04
Asian Pacific	6	117.7	117.7	125.8	+0.4	1.29
Assets & Earnings	6	177.3	177.3xd	189.6	+0.8	3.16
Capital Reserve Acc	0	111.2	111.2	111.2	....	6.82
Capital Reserve Inc	0	87.96	87.96	87.96	—	6.82
Commodity & Energy	6	66.92	66.92	71.57	+0.30	1.90
1992 Enterprise	6	63.93	63.93	68.37	+0.48	3.01
Euro Capital Acc	6	85.14	85.14	91.05	+0.94	1.14
Euro Capital Inc	6	81.34	81.34	86.99	+0.90	1.15
General	6	165.0	165.0	176.4	+0.7	2.83
Japan	6	93.64	93.64xd	100.1	+2.73	—
Mastertrust	6	87.98	87.98	94.09	+0.80	2.72
UK Growth Acc	6	164.7	171.9	182.8	+0.4	2.18
UK Growth Dist	6	104.7	109.3xd	116.2	+0.3	2.22
US Emerging Cos	6	77.55	78.96	84.00	+0.89	—
Income & Growth	6	286.6	286.6xd	306.5	+2.1	4.57
Ethical	6	52.55	53.94	57.38	+0.27	2.72
International	6	60.51	61.34	65.25	+0.65	1.35
Dividend & Growth	6	45.03	46.22	49.17	+0.39	6.10
Global Gwth & Sec	6	52.73	53.04	56.42	+0.28	3.08
Aberforth Unit Trust Managers Ltd (1600)F						
14 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1067.0	1067.0	1124.0	....	—
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	29.58	29.58	31.35	-0.02	2.54
Cash	0	50.38	50.38xd	50.38	+0.01	10.15
European	5¼	65.57	65.57	69.63	+0.55	0.33
European Income	5¼	68.58	68.90xd	72.69	+0.51	1.69
Exempt	1	769.4	769.4xd	795.6	-0.9	5.13
Extra Income	5¼	35.91	35.91xd	38.16	-0.11	6.32
Far East Emerg Econ	5¼	47.21	47.21	50.58	+0.27	1.26
Fund Inv Tst	5	109.0	111.2	118.7	+0.5	1.44
Fund Inv Tst Acc	5	177.9	181.6	193.9	+0.8	1.41
Gilt & Fixed Int	5¼	15.98	16.30xd	17.48	+0.06	11.35

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Britannia Life Unit Managers Ltd (1208)F						
190 West George St, Glasgow G2 2PA 041-332 3132						
Balanced Growth	6	74.58	75.89	81.16	+0.10	2.71
Do (Accum)	6	79.88	81.27	86.92	+0.11	2.71
Service Cos	6	63.76	63.76	68.19	+0.13	1.98
Do (Accum)	6	67.71	67.71	72.42	+0.14	1.98
Income Growth	6	38.68	38.68xd	41.36	+0.08	5.59
Do (Accum)	6	55.69	55.69	59.57	+0.11	5.59
Higher Yield	6	30.53	30.53xd	32.65	.....	4.90
Do (Accum)	6	39.81	39.81	42.57	...	4.90
American Gth Inc	6	35.24	35.24	37.69	+0.17	1.08
Do (Accum)	6	35.91	35.91	38.41	+0.18	1.08
European Growth	6	24.67	24.67	26.39	+0.27	1.40
Do (Accum)	6	25.36	25.36	27.12	+0.28	1.40
Global Bond Inc	6	22.82	22.89	24.48	+0.01	6.03
Do (Accum)	6	27.08	27.16	29.05	+0.01	6.03
Managed P'folio Inc	6	25.20	25.28	27.04	+0.23	—
(Do Accum)	6	25.20	25.28	27.04	+0.23	—
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5						
Mngd P'folio Inc	6	77.03	77.03	82.04	+0.76	2.54
Mngd P'folio Acc	6	142.1	142.1	151.3	+1.38	—
UK General	6	116.2	116.2	123.8	+0.80	4.10
Conv & General	6	15.85	15.85xd	16.88	-0.11	11.28
European Inc	6	19.48	19.65	20.97	+0.20	0.54
European Acc	6	20.00	20.19	21.54	+0.21	—
Financial	6	92.94	92.94	98.98	+0.12	4.77
Foundation	6	59.63	61.08	65.05	+0.11	4.31
German	6	34.25	34.25	36.70	+0.16	0.11
Growth Inc (5-1)	5	22.84	22.89	24.38	+0.27	3.80
Growth Acc (5-1)	5	25.63	25.69	27.36	+0.31	—
High Income	6	56.14	57.23	61.12	+0.32	7.15
Income	6	89.49	91.00	97.19	-0.27	5.58
Intl Income	6	76.37	76.37xd	81.33	+0.84	5.93
Intl Growth ♣	6	27.66	27.66	29.46	+0.33	0.27
Monthly Income	6	53.41	55.26	58.85	+0.86	5.72
North American	6	75.96	76.57xd	81.55	+0.79	0.27
Orient ♣	6	88.64	88.64	95.37	+1.99	—
Recovery	6	28.08	28.08xd	29.91	+0.89	3.95
Smaller Cos Acc	6	184.4	184.4	196.4	+0.10	—
Smaller Cos Inc	6	109.6	109.6	116.7	+0.10	1.97
Brycourt Unit Tst Mgmt Ltd (1400)F						
Mezzanine Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	176.0	176.0	182.3	...	7.19
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Fellowship Tst ♥	5¼	48.96	49.79	52.97	+0.18	4.51
(Accum Units) ♥	5¼	53.42	54.33	57.80	+0.19	4.51

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
North American Gwth	5	68.05	68.32	72.68	+0.27	1.10
European Growth ♣	6	47.76	47.99	51.05	+0.25	1.75
NW Investment Managers Ltd (0659)F						
4b Court St, Haddington, E. Lothian 062 082 5867						
NW Joint Investors	0	1044.6	1044.6	1071.7	....	4.41
Maldon Unit Trust Managers Ltd (1400)F						
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242						
Maldon General	0	105.5	105.5	108.7	.....	6.37

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sing & Malaysian	5¼	93.75	93.75xd	100.50	+1.21	0.00
(Accum Units)	5¼	97.50	97.50	104.50	+1.30	0.00
Smaller Co's ♥	5¼	22.89	22.89xd	24.61	+0.11	2.64
(Accum Units) ♥	5¼	25.97	25.97	27.92	+0.12	2.64
Special Sits	5¼	25.44	25.44	27.35	+0.06	0.95
(Accum Units)	5¼	28.56	28.56	30.70	+0.06	0.95
Tokyo	5¼	62.30	62.30	66.45	+1.39	0.00
(Accum Units)	5¼	62.93	62.93	67.12	+1.41	0.00
UK Equity ♥	5¼	134.40	134.40xd	143.30	+0.90	4.26
(Accum Units) ♥	5¼	243.20	243.20	259.40	+1.60	4.26
US Smaller Cos ♥	5¼	63.81	63.81	68.24	+1.83	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	107.3	113.0	....	–
Pension Managed Fd	106.0	111.6	....	–
Life Deposit Fd	111.7	117.6	....	–
Pension Deposit Fd	118.9	125.2	....	–

For National Fin see Target Life

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	165.8	174.6	....	–
UK Equity	173.2	182.4	....	–
Overseas Equity	131.4	138.4	....	–
Fixed Interest	156.4	164.7	....	–
Property	128.5	135.3	....	–
Index Linked	150.4	158.4	....	–
Deposit	165.9	174.7	....	–
With Profits (B)	135.7	142.9	....	–

National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	348.9	367.3	+0.7	–
UK Equity	436.0	459.0	-0.3	–
Overseas Eq	334.4	352.0	+2.8	–
Americas	288.8	304.0	+0.5	–
Far East	352.8	371.4	+7.7	–
Property	194.0	204.3	+0.1	–
Fixed Int	274.1	288.6	-0.1	–
Indexed Gilt	161.0	169.5	+0.5	–
Deposit	189.7	199.7	+0.2	–
With Profit	106.3	111.9	+0.1	–
Pension Fund (Accum Units)				
Managed	504.4	531.0	+1.4	–
UK Equity	589.2	620.3	+0.1	–
Overseas Eq	568.3	598.3	+5.3	–
Americas	373.4	393.1	-0.8	–
Far East	579.6	610.2	+12.0	–
Property	248.7	261.8	+0.2	–
Fixed Int	345.1	363.3	+0.1	–
Indexed Gilt	175.8	185.1	+0.6	–
Deposit	269.4	283.6	+0.2	–
NPI Pensions Management Ltd				
Managed Fund	1078.5	1097.8	....	–

Prices January 2 Next dealing February 2

Providence Capital Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	215.1	227.0	-1.0	–
UK Fixed Int Acc	195.6	206.4	+1.0	–
Intl Equities Acc	171.5	181.0	+1.6	–
UK Managed Acc	169.4	178.6	+0.1	–
Property Acc	224.8	237.2	+2.1	–
Money Acc	134.9	142.3	....	–
Special Market Acc	147.4	155.5	+2.9	–
Japan Equity Acc	96.2	101.5	+2.3	–
North American Acc	101.5	107.1	+0.1	–
Pacific Acc	90.6	95.6	+1.1	–
Technology Acc	128.5	135.6	+3.8	–
Nat Resources Acc	51.2	54.1	....	–
European Acc	97.4	102.8	+1.8	–
Residential Prop Acc	85.0	89.7	....	–
Swiss Equities Acc	32.6	34.4	+0.3	–
Hong Kong Acc	67.4	71.1	-0.4	–
UK High Inc Eq Acc	69.2	73.1	-0.3	–
Int Fixed Interest Acc	60.9	64.3	-0.1	–
Int Managed Acc	56.0	59.0	+0.5	–
HIP Managed Acc	114.3	120.5	+1.0	–
HIP Managed II Acc	100.6	106.1	+0.8	–
HIP Managed III Acc	109.1	115.0	+0.8	–
Total Investment Bond				
UK Equity Initial		145.7	-0.7	–
UK Fixed Int Initial		132.7	+0.6	–
Intl Equities Initial		115.5	+1.0	–
UK Managed Initial		124.9	....	–
Property Initial		153.5	+1.2	–
Money Initial		91.9	....	–
Special Market Initial		114.0	+2.2	–
Japan Equity Initial		74.4	+1.7	–
North American Initial		78.4	+0.1	–
Pacific Initial		70.1	+0.9	–
Technology Initial		99.3	+2.7	–
Nat Resources Initial		39.6	-0.1	–
European Initial		87.1	+1.6	–
Residential Prop Init		80.9	....	–
Swiss Equities Initial		31.0	+0.3	–
Hong Kong Initial		64.1	-0.4	–
UK High Inc Eq Init		65.8	-0.3	–
Int Fixed Interest Init		58.7	-0.1	–
Int Managed Init		54.1	+0.5	–
HIP Managed Init		110.6	+0.9	–
HIP Managed II Initial		98.7	+0.7	–
HIP Managed III Init		108.2	+0.8	–
Broker Funds				
High Performance	73.1	77.1	+0.9	–

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Baring International Fd Mngrs (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

TSB Trust Funds—Contd.

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (u)

Hypo Foreign & Colonial Port Fd Sicav – Contd.

INVESCO MIM International Limited (u)

Credit Commercial de France

Credit Suisse

LUXEMBOURG (REGULATED)(**)

Viking Fund—SICAV

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund—SICAV (u)

World Trust Fund

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Gaia Currency Funds

Gartmore Investment Ltd

North Star Fund Managers—Contd.

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls against D-Mark

THE DOLLAR fell back substantially on the foreign exchange markets yesterday, as dealers focused on the weakness of the US economy ahead of important economic statistics due for release later this week.

The US currency opened in Tokyo at DM1.5315, already down from Friday's close in New York of DM1.5425. However, the main weakness came during European trading with switching out of the dollar into European currencies, primarily the D-Mark.

The dollar hit a low of DM1.5180 during the afternoon in London before finding support to end at DM1.5190 (the close in London on Friday was DM1.5465). It finished lower in New York at DM1.5160.

Dealers said sentiment surrounding the US currency was negative ahead of non-farm payroll data for December due to be released on Friday. In the recent past, poor employment statistics have been the spur to monetary easing by the US authorities.

Data for November showed a 217,000 fall in employment; market forecasts centre on a smaller decline of between 50,000 and 100,000 this time.

However, the dollar was little changed against the yen, underlining that the flow of money out of the dollar was primarily in favour of European currencies. The dollar closed in London at Y124.05 (against Y124.85 on Friday). It slipped in New York to Y123.35.

US President George Bush is due to visit Japan this week for talks which will include the trading relationship between the two countries. The visit has fuelled speculation that the US authorities are content to see a further depreciation of the dollar against the yen as a means of capping the US trade deficit with Japan.

The weakness of the dollar posed problems for sterling yesterday within the European exchange rate mechanism. The pound lost ½ pfennig against the D-Mark, closing at DM2.85.

Dealers commented that there was no sign of intervention by central banks yesterday to support the UK currency. However, if the dollar comes under further pressure against the D-Mark this week, the Bank of England may be forced to support sterling.

While most currency markets were open for business yesterday for the first time since Christmas, analysts noted that trading volumes were still low. The real position of the dollar against the D-Mark, and therefore the position of sterling within the ERM, may not be clear until the end of this week.

Currency economists at UBS Phillips & Drew are forecasting a sterling rate of DM2.8450 by the end of the week.

Elsewhere, the Canadian dollar strengthened following the launch of C$850m bonds in the international bond market. The Canadian currency rose from C$1.1470 to C$1.1425 against the US dollar during the day, prompting intervention from the Bank of Canada to stem the rise. The Canadian authorities sold Canadian dollars at around the C$1.1430 level.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 6	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.446	−3.13	5.88	54
Belgian Franc	42.4032	41.9609	−1.04	3.64	44
Dutch Guilder	2.31643	2.29558	−0.90	3.49	38
D-Mark	2.05586	2.03822	−0.86	3.45	46
Irish Punt	0.767417	0.766789	−0.08	2.65	−2
Italian Lira	1538.24	1538.72	0.03	2.53	−8
French Franc	6.89509	6.95694	0.90	1.65	−56
Danish Krone	7.84195	7.93093	1.13	1.41	−58
Sterling	0.696904	0.714768	2.56	0.00	−50

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan.6	Close	Previous Close
£ Spot	1.8823-1.8833	1.8485-1.8495
1 month	1.07-1.06pm	1.01-0.99pm
3 months	5.88-5.83pm	2.95-2.92pm
12 months	10.95-10.8pm	10.75-10.65p

POUND SPOT - FORWARD AGAINST THE POUND

Jan 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8615 - 1.8790	1.8765 - 1.8775	1.07-1.05cpm	6.78	2.96-2.93pm	6.28

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Jan 6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¾ - 10⅛	10⅜ - 10¼	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½
US Dollar	4¼ - 4⅛	4⅛ - 4⅛	4¼ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	4⅜ - 4⅛
Can. Dollar	7½ - 7	7½ - 7	7⅛ - 6⅞	7⅛ - 6⅞	6⅞ - 6⅝	6⅞ - 6⅝
Dutch Guilder	10 - 9⅞	10 - 9⅞	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝
Swiss Franc	8¼ - 8	8¼ - 8	8¼ - 8	8⅛ - 8⅛	8⅛ - 8⅛	8 - 7⅞
D-Mark	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9⅝	9⅝ - 9⅝	9⅝ - 9⅝	9⅝ - 9⅝
French Franc	10⅜ - 10⅛	10⅜ - 10⅛	10⅛ - 9⅞	10⅛ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Italian Lira	12 - 10	12¼ - 11¼	12¼ - 11¼	12¼ - 11¼	12¼ - 12	12⅛ - 12
Belgian Franc	9⅝ - 9⅛	9⅝ - 9⅛	9⅝ - 9⅝	9⅝ - 9⅝	9⅝ - 9⅛	9⅝ - 9⅛
Yen	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	4⅞ - 4⅞
Danish Krone	9⅝ - 9⅝	9⅝ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Asian $Sing	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	3⅛ - 3	3⅛ - 3⅛

Long term Eurodollars: two years 5-4⅞ per cent; three years 5½-5½ per cent; four years 6⅛-6 per cent; five years 6½-6⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.6	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.877	2.850	232.8	9.723	2.530	3.213	2152	2.144	58.75	1.401
$	0.533	1	1.518	124.0	5.180	1.348	1.712	1147	1.142	31.30	0.746
DM	0.351	0.659	1	81.68	3.412	0.888	1.127	755.1	0.752	20.61	0.492
YEN	4.296	8.063	12.24	1000.	41.77	10.87	13.80	9244	9.210	252.4	6.018
F Fr.	1.028	1.930	2.931	239.4	10.	2.602	3.305	2213	2.205	60.42	1.441
S Fr.	0.395	0.742	1.126	92.02	3.843	1	1.270	850.6	0.847	23.22	0.554
N Fl.	0.311	0.584	0.887	72.46	3.026	0.787	1	669.8	0.667	18.29	0.436
Lira	0.465	0.872	1.324	108.2	4.518	1.176	1.493	1000.	0.996	27.30	0.651
C $	0.466	0.875	1.329	108.6	4.535	1.180	1.499	1004	1	27.40	0.653
B Fr.	1.702	3.195	4.851	396.3	16.55	4.306	5.469	3663	3.649	100.	2.385
Ecu	0.714	1.340	2.034	166.2	6.940	1.806	2.293	1536	1.530	41.93	1

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES

*Official rate. Floating rate £-2635.0 $-1420.0

FINANCIAL FUTURES AND OPTIONS

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8770	1.8664	1.8476	1.8190	1.7690

BASE LENDING RATES

Bank of India	10.5	Robert Fraser & Ptrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Beneficial Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates edge higher

MONEY market interest rates edged slightly higher in London yesterday, with only a small liquidity shortage emerging on the first active trading day since the year-end holiday period.

The Bank of England made an early forecast of a £750m liquidity shortage, later revised to £800m. Early assistance consisted of the purchase of £57m band 4 bills at 10⅛ per cent, with a further £33m purchased at the same rate later in the morning session. During the afternoon the bank injected a further £217m, mainly through the purchase of band 1 bills at 10⅜ per cent. Late assistance totalled £155m, leaving a shortage of around £440m.

Although the shortage was not relieved during the day, breaking the recent pattern, overnight money rates were little changed on the levels seen last week.

By the close, unsecured overnight money was quoted at 10¾-11 per cent, although traders reported some business being done at a higher 11¼-11 per cent rate. Three months inter-bank money was quoted at 10⅝-10½ per cent, up just ⅛ of a point on the day.

The March short sterling futures contract on the London International Financial Futures Exchange closed little changed at 89.32, implying base interest rates of 10.68 per cent by the spring from the current level of 10.5 per cent.

However, market rates could come under more pressure later this week when more substantial liquidity shortages, running into billions of pounds, are likely.

In Tokyo, overnight call money fell sharply from the last close before the national holiday that began on December 31. Call money was trading at 5⅛ per cent, down from the year-end 5⅜ per cent. The Bank of Japan cut its overnight discount rate by ½ point to 4½ per cent a week ago.

The authorities are seen as keen to prevent money market interest rates falling further, however. Today the market is anticipating a Y200bn liquidity shortage, with speculation that the Bank of Japan may not act to relieve the pressure in an effort to keep short rates firm.

In Frankfurt, call money was little changed at around 9.45-9.55 per cent, comfortably below the 9.75 per cent Lombard rate, the Bundesbank's emergency funding rate for financial institutions.

In the US, the Federal Reserve added $2.5bn liquidity via customer repurchase agreements.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.4)	3 months US dollars	6 months US Dollars	
bid 4⅛	offer 4⅜	bid 4⅛	offer 4⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
		One month	3.76	Three year	5.09
		Two month	3.83	Four year	-
Prime rate	6½	Three month	3.89	Five year	6.00
Broker loan rate	6	Six month	3.98	Seven year	6.47
Fed.funds	3¾	One year	4.07	10-year	6.80
Fed.funds at intervention	4⅛	Two year	4.73	30-year	7.44

Jan.6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.45-9.55	9.45-9.55	9.45-9.55	9.45-9.55	9.40-9.55	9.75
Paris	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	9⅞-10⅛	9.60
Zurich	6⅞-7⅛	7⅞-8⅛	-	7⅞-8⅛	-	-
Amsterdam	10.06-.18	9.75-9.90	-	9.65-9.80	-	-
Tokyo	5⅛-5⅜	5⅝-5⅝	-	5⅝-5⅝	-	-
Milan	12⅛-12⅛	12⅛-12⅜	-	12⅛-12⅛	-	-
Brussels	9.50-9.63	9⅝-9⅞	-	9⅝-9⅞	-	-
Dublin	10⅝-10⅞	10⅝-10⅞	10½-10⅝	10⅝-10⅞	10⅜-10½	-

LONDON MONEY RATES

Jan 6	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11½	10⅝	10⅝	10¾	10¾	10¾
Interbank Bid	10⅝	10⅜	10½	10⅝	10⅝	10⅝
Sterling CDs	-	-	10⅝	10⅝	10⅝	10⅝
Local Authority Deps.	10½	10½	10⅝	10⅝	10⅝	10⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10⅝	10⅜	-	-	-	-
Company Deposits	-	-	10⅝	10⅝	10⅝	10⅝
Finance House Deposits	-	-	10⅞	10⅞	10⅞	10⅞
Treasury Bills (Buy)	-	-	10⅜	10⅛	9⅞	-
Bank Bills (Buy)	-	-	10⅜	10⅜	10	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.20	4.10	4.08	4.22
SDR Linked Dep. Offer	-	-	7	6⅞	6⅞	6⅞
SDR Linked Dep. Bid	-	-	6⅞	6¾	6¾	6¾
ECU Linked Dep. Offer	-	-	10⅝	10⅝	10⅜	10⅜
ECU Linked Dep. Bid	-	-	10½	10½	10¼	10¼

Treasury Bills (sell); one-month 10⅜ per cent; three months 10 per cent; six months 9⅞ per cent; Bank Bills (sell): one-month 10⅜ per cent; three months 10⅜ per cent; Treasury Bills; Average tender rate of discount 10.0676 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1991. Agreed rates for period Jan.25, 1991 to February 25, 1992, Scheme I: 11.80 p.c., Schemes II & III: 12.06 p.c. Reference rate for period Nov 30, 1991 to December 31, 1991, Scheme IV&V: 10.812 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from January 1, 1992; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

CONTRACTS & TENDERS

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TEL: 071-823 2342
FAX: 071-823 1813
CONTACT: GUSTAVO MOHAR

LEGAL NOTICES

SOUTHERN HOMES (PROJECTS) LIMITED

Registered number: 2282234
Nature of business: Builders and Building contractors
Trade classification: 23
Date of appointment of administrative receivers: 17th December 1991
Name of person appointing the administrative receivers: Midland Bank Plc
N J Vooght & J M Iredale Joint Administrative Receivers
(office holder no(s) 6339 and 2104) of
Orchard House
10 Albion Place Maidstone
Kent ME14 5DZ

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MONEY MARKET FUNDS

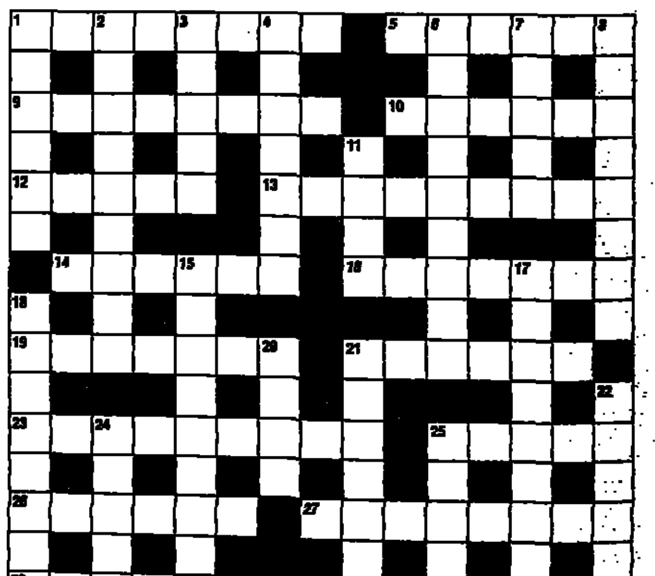
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,740 Set by VIXEN



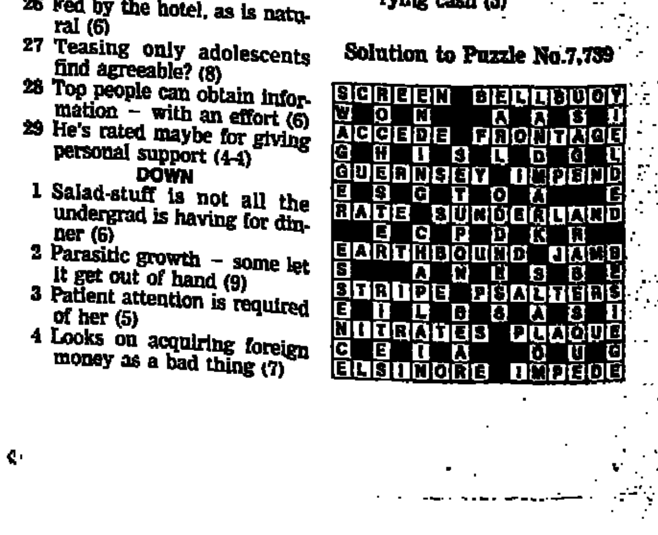
ACROSS

1 Prompting soldiers to guard the monarch (8)
5 Save a bit – a single note (6)
9 Saw deciders would have to be arranged (8)
10 Sardonic humour when turning weary (6)
12 Against going in alone to work out (5)
13 Being downright about relation's running (9)
14 This writer upset 22 (6)
16 Goes with strikers (7)
19 Quietly stay and assume control (7)
21 Bound to follow severe weather (6)
23 Sum granted for building ocean wall (9)
25 A high-minded individual in church sect (5)
26 Fed by the hotel, as is natural (6)
27 Teasing only adolescents find agreeable? (8)
28 Top people can obtain information – with an effort (6)
29 He's rated maybe for giving personal support (4-4)

DOWN

1 Salad-stuff is not all the undergrad is having for dinner (6)
2 Parasitic growth – some let it get out of hand (9)
3 Patient attention is required of her (5)
4 Looks on acquiring foreign money as a bad thing (7)
6 A letter or card (9)
7 Elsewhere defence may be offered (5)
8 All the same the cape makes a regular appearance (8)
11 Broadcast raising a smile (4)
15 Air-war net being used – down it comes (9)
17 Passes a swimmer, making a gesture of goodwill (9)
18 Skinhead finding his greatest strength lies in giving voice (8)
20 The woman's English and uppity! (4)
21 Interview an attendant when there's some leak (7)
22 Take exception to 14's shillyshallying (6)
24 A quarter in the right? That's material (5)
25 A youngster told off for carrying cash (5)

Solution to Puzzle No.7,739



WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices January 6

Total Sales 10,648,900 shares

MONTREAL

4:00 pm prices January 6

INDICES

NEW YORK

DOW JONES	Jan 6	Jan 3	Jan 2	Dec 31	1991/92 HIGH	1991/92 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3200.13	3201.48	3172.41	3168.83	3201.48 (3/1/92)	2470.30 (9/1/91)	3201.48 (3/1/92)	41.22 (2/7/32)
Home Bonds	99.20	99.13	98.96	98.93	99.20 (6/1/92)	91.30 (16/1/91)	99.20 (6/1/92)	54.99 (1/10/81)
Transport	1365.47	1350.71	1342.12	1358.00	1365.47 (6/1/92)	894.30 (7/1/91)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	223.02	225.59	224.46	226.15	225.59 (3/1/92)	195.17 (10/7/91)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3230.32 (3221.38) Low 3166.59 (3156.31)

STANDARD AND POOR'S	Jan 6	Jan 3	Jan 2	Dec 31	1991/92 HIGH	1991/92 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.96	419.34	417.26	417.09	419.34 (3/1/92)	311.49 (9/1/91)	419.34 (3/1/92)	4.40 (1/6/32)
Industrials	494.06	495.78	493.26	492.72	495.78 (3/1/92)	364.90 (9/1/91)	495.78 (3/1/92)	3.62 (21/6/32)
Financial	34.40	34.24	34.04	34.10	34.40 (6/1/92)	21.96 (9/1/91)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	229.85	230.35	229.17	229.44	230.35 (3/1/92)	170.97 (9/1/91)	230.35 (3/1/92)	4.46 (25/4/42)
Amex Mkt. Value	399.27	398.83	395.51	395.05	399.27 (6/1/92)	296.72 (14/1/91)	399.27 (6/1/92)	29.31 (9/12/72)
NASDAQ Composite	597.90	592.65	586.45	586.34	597.90 (6/1/92)	355.75 (14/1/91)	597.90 (6/1/92)	54.87 (31/10/72)

	Jan 3	Dec 27	Dec 20	year ago (approx.)
Dow Industrial Div. Yield	2.90	2.99	3.13	4.02

	Dec 31	Dec 24	Dec 18	year ago (approx.)
S & P Industrial div. yield	2.55	2.68	2.78	3.31
S & P Ind. P/E ratio	25.35	24.21	23.24	15.92

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Gen Motors	4,540,600	33¼	+ ⅞
RJR Nabisco	4,399,600	10¾	- ⅛
Westinghouse	3,921,800	19¾	+ 1⅝
Amer T & T	3,659,300	40⅛	+ ½
Maxus Energy	3,389,500	6¾	- ⅛
Ford Motor	3,279,900	30⅞	+ ½
Browning Ferris	2,788,000	23½	+ 1¼
Amer Express	2,620,700	21⅛	+ 1
Waste Man	2,459,100	44⅛	- ⅜
Chrysler	2,345,300	13⅝	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Jan 6	Jan 3	Jan 2
New York SE	241.980	219.170	203.600
Amex	19.033	19.671	18.024
NASDAQ	(u)	214.203	181.381
NYSE			
Issues Traded	2,233	2,191	2,192
Rises	1,048	1,084	849
Falls	791	650	929
Unchanged	394	457	414
New Highs	226	181	118
New Lows	3	6	3

CANADA

TORONTO	Jan 6	Jan 3	Jan 2	Dec 31	1991/92 HIGH	1991/92 LOW
Metals & Minerals	2943.65	2982.27	2935.22	2954.99	3299.99 (18/7/91)	2632.06 (9/1/91)
Composite	3524.80	3517.47	3493.66	3512.36	3604.09 (12/11/91)	3161.95 (15/1/91)
MONTREAL Portfolio	1865.08	1866.44	1856.55	1860.43	1907.35 (12/11/91)	1686.89 (9/1/91)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation (c) Closed (u) Unavailable.

	Jan 6	Jan 3	Jan 2	Dec 31	1991/92 HIGH	1991/92 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1675.1	1659.7	1647.9	1651.4	1696.3 (8/11/91)	1204.5 (16/1/91)
All Mining (1/1/80)	673.8	668.7	660.3	662.2	707.2 (24/7/91)	561.6 (16/1/91)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	377.92	372.24	(c)	534.81 (16/4/91)	372.29 (2/1/92)
BELGIUM						
BEL20 (1/1/91)	1104.53	1103.10	1108.46	(c)	1212.15 (17/4/91)	917.59 (17/1/91)
DENMARK						
Copenhagen SE (3/1/83)	357.34	356.44	354.37	(c)	380.04 (2/8/91)	302.26 (8/1/91)
FINLAND						
HEX General (28/12/90)	(c)	782.3	779.0	(c)	1186.9 (8/4/91)	765.2 (23/12/91)
FRANCE						
CAC General (31/12/82)	485.53	476.98	475.53	476.66	503.51 (15/11/91)	394.88 (15/1/91)
CAC 40 (31/12/87)	1787.57	1770.30	1749.91	1765.66	1887.29 (1/10/91)	1425.26 (15/1/91)
GERMANY						
FAZ Aktien (31/12/58)	652.60	653.19	651.92	(c)	717.43 (17/6/91)	570.48 (15/1/91)
Commerzbank (1/12/53)	1840.4	1840.6	1838.4	(c)	2036.2 (31/5/91)	1612.5 (15/1/91)
DAX (30/12/87)	1603.32	1603.62	1601.88	(c)	1715.80 (11/6/91)	1311.82 (16/1/91)
HONG KONG						
Hang Seng Bank (31/7/64)	4306.97	4307.13	4301.78	4297.33	4307.97 (6/1/92)	2984.01 (16/1/91)
IRELAND						
ISEQ Overall (4/1/88)	1404.58	1402.29	1404.72	1380.23	1520.65 (15/3/91)	1114.86 (25/1/91)
ITALY						
Banca Com. Ital. (1972)	(c)	507.81	507.43	507.79	619.38 (3/6/91)	482.89 (10/12/91)
JAPAN						
Nikkei (16/5/49)	23801.18	(c)	(c)	(c)	27146.91 (18/3/91)	21456.76 (19/8/91)
Tokyo SE (Topix) (4/1/68)	1763.43	(c)	(c)	(c)	2028.85 (18/3/91)	1625.00 (17/1/91)
2nd Section (4/1/68)	2459.85	(c)	(c)	(c)	3423.45 (10/5/91)	2424.50 (27/12/91)
MALAYSIA						
KLSE Composite (4/4/86)	557.34	552.99	552.16	556.22	635.02 (29/5/91)	470.41 (16/1/91)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	277.5	279.1	277.7	(c)	284.8 (5/6/91)	221.4 (16/1/91)
CBS All Shr (End 1983)	194.9	196.0	195.0	(c)	203.1 (5/6/91)	162.3 (16/1/91)
NORWAY						
Oslo SE (Ind) (2/1/83)	700.09	691.94	678.99	(c)	793.53 (26/8/91)	595.77 (2/12/91)
PHILIPPINES						
Manila Comp (2/1/85)	1231.24	1221.16	1172.78	(c)	1183.40 (29/5/91)	582.64 (10/1/91)
SINGAPORE						
SES All-Singapore (2/4/75)	407.81	402.07	401.19	404.50	422.43 (26/4/91)	315.07 (16/1/91)
SOUTH AFRICA						
JSE Gold (28/9/78)	1148.0&	1143.0	1119.0	1131.0	1469.0 (5/7/91)	971.0 (25/2/91)
JSE Industrial (28/9/78)	4255.0&	4175.0	4169.0	4170.0	4364.0 (13/11/91)	2829.0 (16/1/91)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	650.10	624.23	(c)	(c)	763.10 (6/8/91)	586.51 (23/12/91)
SPAIN						
Madrid SE (30/12/85)	(c)	243.65	238.93	246.24	289.22 (18/3/91)	213.70 (14/1/91)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	(c)	921.50	913.7	(c)	1149.8 (11/7/91)	808.4 (8/1/91)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	754.6	749.7	(c)	(c)	769.3 (14/11/91)	590.4 (14/1/91)
SBC General (1/4/87)	607.2	605.4	(c)	(c)	638.0 (31/5/91)	487.1 (14/1/91)
TAIWAN**						
Weighted Price (30/6/66)	4692.17	(c)	(c)	(c)	6305.22 (9/5/91)	3316.26 (15/1/91)
THAILAND						
Bangkok SET (30/4/75)	719.50	711.81	712.02	(c)	908.13 (19/4/91)	582.48 (16/1/91)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	543.2*	536.2	535.8	533.4	536.2 (3/1/92)	439.1 (16/1/91)

** Saturday December 28: Taiwan Weighted Price 4600.67; Korea Comp Ex. (c).
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, 6 January 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Penta-Ocean	8.4m	1,110	+80	Nishimatsu Cons	2.3m	1,310	+60
Osaka Gas	4.6m	635	+20	Nippon Steel	2.3m	383	+8
Sato Kogyo	2.8m	1,540	+50	Ishikawajima	2.2m	594	+28
Hitachi Zosen	2.6m	695	+17	Mitsubishi Heavy	2.2m	729	+33
Tokyo Gas	2.4m	626	+45	Clarion	2.0m	639	+19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices January 6

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	3.7	14	608	13⅛	12¾	12⅞	-⅛
24¾	14½	A L Labs A	0.16	0.7	28	205	23¾	23⅝	23¾	+½
60	40⅞	AMP Inc	1.44	2.4	23	1432	60¼	59	59¼	-⅝
71	44¼	AMR				137607	u73¼	70⅞	72⅞	+1¼
2⅝	1	ARX			2	481	1¾	1⅞	1¾	+⅛
58	41½	ASA	3.00	6.3	13	459	47¼	46⅝	47¼	+¼
69½	39¼	Abbott Lab x	1.00	1.5	27	5461	68¼	67	68⅛	+¼
14⅝	9⅞	Abitibi Pr x	0.50	4.0	16	20	12⅝	12½	12½	-⅛
11⅝	10⅜	ACM Gvt In x	0.72	6.2		731	u11⅝	11⅜	11⅝	+⅛
9⅝	8¾	ACM GvOpp x	1.01	10.4		466	u9⅞	9½	9⅝	+⅛
9½	8¼	ACM Gvt Sp x	0.17	1.8		178	9¼	9⅛	9¼	
11	9⅞	ACM Gvt Se	1.26	11.6		418	u11⅛	10⅞	10⅞	-¼
9⅛	7⅝	ACM Man x	0.47	5.2		457	u9⅛	9	9⅛	
12⅞	11½	ACM Mangd x	1.35	10.6		334	u12⅞	12⅝	12¾	-⅛
7½	4¾	Acme Cleve	0.40	5.4	16	97	7⅜	7⅛	7⅜	+⅛
6	3⅝	Acme Elect			3	6	4¾	4¾	4¾	-⅛
40	22¾	Acuson			20	1723	31¾	31⅛	31¼	+¼
20⅛	14¼	Adams Expr	1.63	8.8	0	147	19	18¾	18⅞	-⅛
20⅛	12⅞	Adobe12Pf	2.40	17.1		35	14¼	14	14	
9¼	3⅞	Adobe Res			47	374	4¾	4½	4⅝	+⅛
49	18	Ad Micro				238	u45¼	49⅞	45¼	+1½
17⅞	4⅝	Ad Micro P	3.00	16.6	96	1019	u19¼	18¼	18¼	+1
5⅛	2¼	Advest Grp	0.16	2.8	8	313	u5⅞	5⅝	5¾	+⅛

- B -

- C -

- D -

- E -

- F -

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- J -

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
62¾	43¾	Xerox4.125				5	51	50½	50½	
25¼	14⅛	Xtra 1 94				31	u25¾	25	25	+⅛
29¾	14¾	Xtra Corp	0.72	2.5	14	422	29½	29	29⅛	+½
27⅞	21¾	Yankee Egy	1 60	6.0	12	41	27	26⅝	26¾	
1½	7/16	Zapata			62	590	11/16	⅝	⅝	
9⅝	5¼	ZenithElec			2	449	7¾	7½	7¾	+⅛
18½	12	Zenith Nat x	1.00	6.2	135	82	16⅝	16¼	16¼	+⅛
6⅝	4½	Zenix Inc	0.84	13.7		195	6¼	6⅛	6⅛	
15⅛	10	Zero Corp	0 40	3 4	15	144	11⅞	11⅝	11⅞	
41⅝	29½	Zurn Ind	0 88	2.4	14	116	36⅝	36⅛	36¼	
13⅞	10¾	Zweig Fund x	1.16	8.4		576	13¾	13½	13¾	
10¾	8½	Zweig Tot x	0 96	8 7		878	u11	10¾	11	+⅛

Price data supplied by Telekurs

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Sales figures are unofficial. Yearly highs and lows currently reflect the whole of 1991. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices January 6

NASDAQ NATIONAL MARKET

4:00 pm prices January 6

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		27	3959	24¾	24	24½	−½
XL Data		31	89	10½	10⅝	10¾	
Xoma Corp		12	6291	21¼	20¾	21⅝	+¾
Yellow Fr	0.94	18	7684	26⅝	25¼	26½	−⅛
York Rsch		60	7194	7⅝	6¾	7¼	+⅜
Zoeludoh x	1.44	8	180	43¼	40¼	41	−1

AMERICA

US equities lose steam after recent upsurge

Wall Street

AFTER delivering gains for 11 consecutive days, and setting six new record highs in the process, the upsurge in US stock markets finally ran out of steam yesterday, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 1.35 at 3,200.13, and the more broadly based Standard & Poor's 500 was 1.40 easier at 417.94. The Nasdaq composite of over-the-counter stocks, however, powered to yet another all-time high, adding 5.25 at 597.90. Turnover on the New York Stock Exchange was a heavy 244m shares.

The market opened hesitantly as Mr David Dinkins, the Mayor of New York, rang the opening bell to celebrate the start of the NYSE's bicentenary year, and amid strong two-way trading, share prices struggled to add to last week's gains. In spite of selling, the underlying tone of the market was still positive, aided by another decline in long-term interest rates on the US Treasury markets.

Westinghouse stood out, advancing $1⅝ to $19¾ in turnover of 2.8m shares on the heels of an upgrade from London based stockbroker County NatWest, which raised its rating from "underperform" to "accumulate".

Teledyne jumped $4⅛ to $24½ after the electronics and aviation equipment group reported fourth-quarter profits of 50 cents a share, against just 1 cent a share a year ago.

Waste Management declined $1⅛ to $44⅝ in active trading, unsettled by a court ruling in California which blocked the company's planned construction of a toxic waste incinerator. Industry experts predict that the success of the lawsuit brought by local residents could pose problems for Waste Management in similar cases in the future.

On the over-the-counter market, Borland International dropped $3¼ to $80 amid growing concern that there may be delays in the release of new personal computer software products. This concern was behind Morgan Stanley's decision to lower its first-quarter profits forecast from 75 cents a share to 50 cents.

Going the other way was MCI Communications, which climbed $2⅛ to $33⅞ in turnover of 4.7m shares after Merrill Lynch upgraded its medium-term rating on the stock.

BULLISH sentiment and a heavy influx of foreign capital sent Brazilian share prices to new highs for the fourth successive day, Reuter reports from São Paulo.

By 1330 GMT yesterday, the Bovespa index of the 56 most traded shares was up 10.2 per cent at 78,225. Traders said trading was concentrated in blue chips, with the state-owned telecommunications company Telebras trading at Cr26,800, up 8.9 per cent in the first two hours of trading.

Canada

THE TORONTO composite index closed a modest 7.3 up at 3,524.8 as gains in transportation and communication stocks were largely offset by losses in the metals sector.

Advancing issues led declines by 335 to 247 after a light volume of 22m shares. Eleven of 14 sub-indices were in positive territory. The transportation sub-group rose 3.1 per cent, boosted by Laidlaw "B", which gained C$⅛ to C$10⅞. The communications and media sub-group was up 2.0 per cent and merchandising gained 1.1 per cent. Mining lost 1.3 per cent and golds shed 1.8 per cent.

SOUTH AFRICA

JOHANNESBURG industrials were in demand with local and foreign investors, while gold shares moved in tandem with bullion prices. The industrial index added 80 to 4,255 while golds rose 13 to 1,148. The all-share index rose 41 to 3,478.

ASIA PACIFIC

Nikkei kicks off 1992 with a jump of 3.6 per cent

Tokyo

THE HIGHER yen, lower bond yields and last week's record-breaking advance on Wall Street encouraged buyers on the first trading day of this year, and the Nikkei average soared 3.6 per cent in the half-day session, *writes Emiko Terazono in Tokyo.*

The Nikkei finished 817.41 stronger at 23,801.18 after opening at the day's low of 23,030.66 and attaining a day's high of 23,801.78 just before the close.

A total of 180m shares changed hands. Advances overwhelmed declines by 879 to 103 and 81 issues remained unchanged. The Topix index of all first section stocks climbed 48.75 to 1,763.43 and, in London, the ISE/Nikkei 50 index rose 6.00 to 1,347.22.

Traders said investors had started to react to positive fundamentals. The Bank of Japan lowered the official discount rate by a half-point to 4.5 per cent on December 30, the last trading day of 1991.

Mr Jason James, strategist at James Capel Pacific, said: "The rally is a follow-through from last year as most investors were absent from the market and were unable to react." He forecast that the Nikkei average was likely to reach 25,000 during the next month.

Mr Shiomichi Kawamoto, an analyst at Nikko Research Institute, said that although the index had room to advance, turnover would remain subdued due to the lack of trading by domestic investors. He added that most domestic institutions still held losses on investments and would not become active participants until such holdings were liquidated.

Last year's total turnover on the first section of the Tokyo Stock Exchange fell to 91.7bn shares, down 23 per cent on the year and the lowest since 1982. Total trading value dropped to Y107,108bn, one-third of that in 1989, the peak of the bull market, and down 38.7 per cent on the year.

Investors sought interest rate-sensitive shares on hopes of a further decline in interest rates. The yield on the 129 benchmark bond closed at 5.34 per cent, after falling to 5.32 per cent during the session, the lowest yield on a benchmark bond since October 1989.

Electric power companies gained, with Tokyo Electric Power moving ahead Y160 to Y3,700, while shipbuilders also advanced. Ishikawajima-Harima Heavy Industries climbed Y28 to Y594 and Mitsubishi Heavy Industries Y33 to Y729.

High-technology issues were stronger on bargain hunting in spite of the rise in the yen against the dollar. Sony surged Y300 to Y4,400 and TDK put on Y200 to Y4,200.

In Osaka, the OSE average moved up 718.18 to 24,887.27 on volume of 9.4m shares. Total turnover for last year on the OSE first section fell 47.7 per cent from 1990 to Y18,722bn. However, thanks to active futures trading, turnover for the Nikkei 225 futures soared 35.9 per cent to Y536,725bn last year.

Roundup

TOKYO'S optimistic start to the year encouraged the rest of the Pacific Rim yesterday.

SINGAPORE surged on news that the US and Singapore had agreed in principle to transfer a US naval logistics unit from Subic Bay in the Philippines to Singapore. The Straits Times Industrial index rose 19.56 or 1.3 per cent to 1,500.45 in turnover of S$135.8m, against a previous S$62.1m.

Shipyards were seen as direct beneficiaries of the US naval unit transfer. Keppel Corp, Singapore's biggest shipyard, topped the gainers list, rising 40 cents to S$8.55, while foreign shares of the government-backed Singapore Shipbuilding appreciated 23 cents to S$2.62.

NEW ZEALAND started the new year on a strong note as equities caught up with the recent surge on international stock markets. The NZSE-40 index reached an intraday peak of 1,546.91 before easing back to close 31.08 or 2.1 per cent ahead at 1,535.86. Turnover grew to NZ$25.5m from the NZ$14.3m of last Tuesday.

AUSTRALIA gained 1.6 per cent in the first half-hour of trading on continued hopes of an early interest rate cut, but then settled back to close just 0.9 per cent up on disappointing trade data for November. The All Ordinaries index ended 15.4 ahead at 1,675.1, after touching 1,685.9, in turnover of A$192m, up from A$115m.

The market was also pulled back by BHP, which rose as high as A$14.20 on news that it would begin oil exploration drilling offshore in southern Australia, but then receded to leave a net gain of 16 cents at A$14.00.

TAIWAN saw hectic dealing, mostly on international comparisons but also on speculation that its central bank will lower the rediscount rate by half a point to 5.75 per cent within the week. The weighted index, which posted a small gain of 12.30 on Saturday, rose 79.20 or 1.7 per cent to 4,692.17 in turnover of T$33.9bn, up from T$25.7bn.

HONG KONG registered its first decline in two weeks as the Hang Seng index eased 0.16 to 4306.97 in turnover up from HK$966m to HK$1.22bn.

Bargain hunting balanced profit-taking on the day, but uncertainty over Sino-US trade friction continued to dampen sentiment ahead of the bipartite trade negotiations in Washington on Friday.

SEOUL *took a break after its* recent rise that was fuelled by active foreign buying. The composite index was down 0.21 to 650.10 in turnover of Won440.2bn on the first full trading session this year, compared with Won229bn in Saturday's half-day trading.

KUALA LUMPUR finished higher after light trading on selective bargain hunting. The composite index ended 4.36 up at 557.34. Turnover rose to M$108m from M$76.9m.

BANGKOK's bank shares took the SET index up 7.89 to 719.50 in turnover of Bt5.04bn, the largest in almost a month, although declines led advances by almost two-to-one across the board.

The three most active stocks were banks: Bangkok Bank jumped Bt34 to Bt502 in turnover of Bt676m, Thai Farmers Bank Bt32 to Bt466 in Bt433m and Thai Military Bank Bt16 to Bt326 in Bt425m.

JAKARTA decided that higher tax on corporate bank deposits was good for the equity market, where the index rose 2.37 to 249.76 in active trade. Volume was still fairly low at 3.95m shares, against Friday's 3.11m.

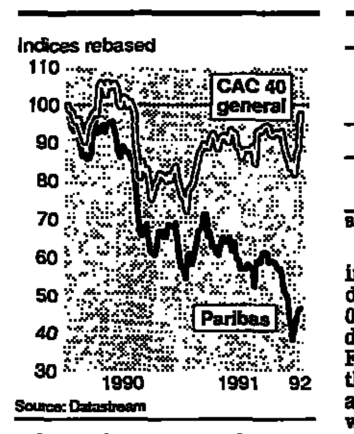
EUROPE

Eurotunnel in focus as CAC 40 meets resistance at 1,800

BOURSES were initially encouraged by Tokyo, but many failed to hold on to the day's gains. Milan, Madrid, Stockholm, Helsinki and *Vienna were closed for Epiphany, writes Our Markets Staff.*

PARIS continued its New Year rally but the CAC 40 index failed to break decisively through *1,800. It closed at* 1,787.57, up 17.27 but off the day's high of 1,802.50. Turnover was estimated at just under FFr2b, after Friday's FFr1.47bn, reflecting the return of fund managers from holiday.

Among the day's most active stocks was the Anglo-French Eurotunnel, which rose FFr2.25 or 5.6 per cent to FFr42.20 with with 189,050 shares changing hands. Dealers said the stock jumped on a report in the French newspaper Agefi that Eurotunnel and TML, the consortium building the tunnel, had agreed to bury their differences on cost overruns.



Source: Datastream

Eurotunnel was also buoyed up by reports that it had been selected by a poll of domestic fund managers as a likely outperformer in 1992. Paribas, one of the worst performers on a two-year view, was also mentioned in the poll, and the stock rose FFr6.50 to FFr334 in active trading for a gain of 7.8 per cent since January 2.

FRANKFURT could not hold its early gains and the DAX index came back from an intraday high of 1,613.54 to close 0.30 lower at 1,603.32 after a decline of 0.59 to 652.60 in the FAZ at midsession. Worries that the US rally was unstable, and domestic economic fears were blamed for the weakness in sentiment.

Dealers said that selling of DAX index futures, after hopes for a further DAX rise faded, had also prompted some cash market selling. Volume fell from DM3.8bn to DM3bn, reflecting the holiday in southern Germany.

Gainers yesterday were mainly second-tier stocks, some after a period of weakness. Altana, hit later last year by litigation in its baby food business, recovered DM14.50 to DM579.50; Asko, down on its connections with the ailing Adia temporary employment group in Switzerland, closed DM6.50 higher at DM616.50.

Among blue chips, the best gain was in the chemicals group, Bayer, up DM3 to DM287.90 on a large order.

AMSTERDAM ended below the day's best as leading companies issued their traditional New Year messages. The CBS Tendency Index closed at 113.6, up 0.1 from Friday, but off the *intraday high of 114.1.*

DAF eased 30 cents to Fl 21.30. After the close the truck manufacturer said that DAF said that it expected its *losses to continue in the first* half of 1990. Hoogovens rose Fl 1.70 to Fl 44.00 despite its forecast that 1992 will be another difficult year.

ZURICH *gave up some of its* early gains, but the Crédit Suisse index still closed 2.7 higher at 459.6, dealers reporting some buying by London-based institutional investors.

Trading in blue chips was lively while activity in second-tier shares was subdued. Activity focused on the industrial sector, Roche certificates adding SFr30 to SFr2,750 and Ciba-Geigy bearers closing SFr30 firmer at SFr3,060.

BRUSSELS continued to focus on the retailer Delhaize which rose BFr100 to BFr8,650 and accounted for one-fifth of the day's turnover of BFr666m. The Bel-20 index rose 1.43 to 1,104.53.

The travel and tourism company Wagons-Lits, which is now 97 per cent owned by Accor of France, plunged BFr700 to BFr8,000 ahead of *today's suspension from the* forward market today. The stock will still be traded on the cash market.

OSLO rallied for a fifth day in a row, *the all-share index* climbing 5.80, or 1.4 per cent to 432.87 although the close was well below the day's high of 437.78. Turnover was about NKr310m.

Pessimism about the Norwegian economy has been toned down and the industry index, which includes stocks linked to North Sea oil, rose to 8.13 to 700.09 with Hafslund A frees rising by NKr6 to NKr271, and Aker A frees NKr4 better at NKr69.

ISTANBUL rose by 2 per cent, partly on late demand for companies with high year-end profit expectations, the market index closing 87.28 higher at 4,410.22.

FT-SE Eurotrack 100 - Jan 6

Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1096.23	1094.65	1093.44	1092.63	1092.19	1092.25	1091.90	1092.05

Day's High 1096.23 — Day's Low 1091.02

Jan 3	Jan 2	Dec 31	Dec 30	Dec 27
1087.01	1078.19	1079.41†	1065.54	1055.30

Base value 1000 (26/10/90). † Partial.

Thin volume as world follows the Dow

By Peter Martin

The unanimity with which world equity markets followed the US lead in last week's rally is reflected in the fact that every single national component of the FT-Actuaries World Index rose in local currency terms. However, the increases were often achieved on thin, holiday-week volume.

Wall Street, moving up steadily on the back of the Federal Reserve's pre-Christmas one-point cut in the discount rate, rose by 3.0 per cent. US share prices are now 10.4 per cent above the level of a month ago, and 31 per cent higher than they were at the depths of the pre-Gulf war gloom in early January 1991. Japan moved up in response to a half-point reduction in the official discount rate on Monday December 30.

The biggest jump came in Finland, one of the worst performers in 1991, where there was a one-week rise of 7.8 per cent. Other Scandinavian markets showed mixed results. Share prices in Norway, seriously eroded by banking scandals in 1991, and by weakness in the shipping and oil markets just before Christmas, recovered to register the next best rise in Europe. Sweden put in a below-par performance, with Ericsson, once mightily fancied, still licking its wounds and brokers recommending sales into the recent bounce in the shares.

There were strong gains in Australia, up 4.3 per cent as a new team of Treasury ministers took over the steering of the economy; in Mexico, up 3.5 per cent after the country figured in year-end reviews as the best-performing bourse of 1991; and in the UK.

Continental Europe lagged behind on aggregate, Wall Street-influenced bourses in Amsterdam and Zurich outperforming the rest.

The poorest performers were still able to eke out an increase on the week. South Africa lost its way on weak precious metal prices; and in Malaysia, the government investment fund, which has been buying recently, was absent from the market for part of last week.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	+1.09	-3.03	-10.95	+1.30	+0.80	-0.52
Belgium	+1.06	+3.34	+10.71	+0.58	0.00	-1.31
Denmark	+2.01	+1.48	+22.72	+1.59	+1.28	-0.05
Finland	+7.82	+0.26	-9.96	+2.26	+2.47	+1.13
France	+2.71	+4.85	+15.65	+0.29	-0.21	-1.52
Germany	+2.53	+2.84	+10.09	+2.03	+1.41	+0.08
Ireland	+4.40	+8.09	+21.24	+1.95	+1.68	+0.35
Italy	+2.42	+2.80	-1.46	+0.05	-0.25	-1.55
Netherlands	+3.10	+4.10	+18.54	+2.86	+2.08	+0.74
Norway	+4.94	+5.29	-4.68	+3.97	+3.48	+2.13
Spain	+2.91	+0.19	+13.34	-0.58	-0.45	-1.75
Sweden	+0.93	+2.44	+14.68	+0.33	-0.05	-1.36
Switzerland	+3.10	+5.05	+23.66	+2.22	+2.07	+0.73
UK	+3.48	+4.49	+17.49	+0.54	+0.54	-0.78
EUROPE	+2.98	+3.85	+14.59	+0.92	+0.68	-0.64
Australia	+4.38	+4.65	+31.15	+0.35	+1.37	+0.04
Hong Kong	+1.82	+2.64	+45.21	+0.20	+1.87	+0.54
Japan	+2.58	+0.89	+0.28	0.00	+1.40	+0.08
Malaysia	+0.02	+3.36	+3.06	-0.88	+0.57	-0.75
New Zealand	+2.33	+5.73	+17.51	0.00	+1.10	-0.23
Singapore	+1.02	+4.83	+27.71	-0.15	+0.70	-0.61
Canada	+1.80	+1.88	+5.70	-0.04	+2.08	+0.74
USA	+2.97	+10.49	+31.19	+0.48	+1.81	+0.48
Mexico	+3.55	+6.20	+148.58	+0.83	+1.12	-0.20
South Africa	+0.31	-2.31	+26.97	-0.17	+2.11	+0.78
WORLD INDEX	+2.79	+5.22	+16.20	+0.41	+1.40	+0.07

† Based on January 3rd 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 6 1992								FRIDAY JANUARY 3 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	153.68	+1.8	121.39	120.51	121.37	133.80	+1.0	4.15	150.91	121.17	119.09	121.33	132.49	160.31	112.74	114.06
Austria (20)	168.61	+1.8	133.18	132.22	133.16	132.91	+0.0	2.17	165.66	133.02	130.75	133.20	132.91	222.37	153.86	184.48
Belgium (47)	145.19	+1.9	114.68	113.84	114.66	112.07	+0.2	5.29	142.45	114.38	112.42	114.53	111.89	151.20	118.04	126.93
Canada (115)	138.20	+0.7	109.16	108.36	109.13	114.43	+0.3	3.21	137.31	110.25	108.36	110.39	114.09	144.28	126.49	128.48
Denmark (37)	272.49	+2.1	215.23	213.67	215.19	218.84	+0.4	1.63	267.01	214.39	210.73	214.66	218.07	272.49	217.74	219.55
Finland (15)	80.13	+1.6	63.29	62.83	63.28	69.24	+0.0	3.52	78.90	63.35	62.27	63.44	69.24	125.15	73.32	94.87
France (109)	152.33	+2.8	120.32	119.44	120.29	123.84	+1.0	3.58	148.16	118.96	116.92	119.12	122.66	152.33	119.11	127.96
Germany (65)	119.44	+1.7	94.34	93.67	94.32	94.32	−0.1	2.44	117.42	94.28	92.68	94.41	94.41	125.35	94.15	106.46
Hong Kong (55)	177.22	−0.1	139.98	138.97	139.96	176.46	+0.0	4.22	177.32	142.37	139.94	142.57	176.50	177.32	119.62	122.03
Ireland (18)	171.85	+2.1	135.74	134.76	135.71	138.21	+0.2	3.63	168.40	135.21	132.90	135.39	137.95	182.46	132.88	140.56
Italy (77)	75.56	+1.8	59.69	59.25	59.67	64.70	+0.0	3.58	74.22	59.59	58.57	59.67	64.70	88.23	64.76	77.78
Japan (474)	140.95	+3.7	111.33	110.53	111.33	110.53	+3.0	0.77	135.93	109.14	107.28	109.31	107.28	146.97	118.23	123.57
Malaysia (68)	215.69	+1.5	170.37	169.13	170.33	225.12	+1.2	2.91	212.58	170.68	167.76	170.91	222.48	247.78	189.18	204.10
Mexico (18)	1417.36	+2.1	1119.53	1111.41	1119.33	4761.35	+2.1	1.10	1388.32	1114.71	1095.66	1116.24	4663.81	1417.36	534.45	581.69
Netherland (31)	155.45	+1.1	122.79	121.89	122.77	121.40	−0.7	4.45	153.81	123.50	121.39	123.67	122.26	155.45	125.70	129.85
New Zealand (14)	48.52	+3.5	38.33	38.05	38.32	47.00	+1.8	5.85	46.87	37.64	36.99	37.69	46.17	54.64	41.18	43.62
Norway (25)	188.54	+3.3	148.92	147.84	148.90	152.97	+1.6	1.70	182.58	146.60	144.10	146.81	150.49	223.24	157.06	192.17
Singapore (38)	222.61	+2.0	175.84	174.56	175.80	166.60	+1.7	2.09	218.33	175.30	172.31	175.54	163.75	222.61	151.63	158.51
South Africa (61)	253.70	+1.1	200.39	198.93	200.35	174.66	+1.1	2.82	250.84	201.40	197.96	201.67	172.69	271.99	173.00	182.69
Spain (52)	155.90	+1.5	123.14	122.25	123.11	113.91	+0.0	4.84	153.67	123.38	121.28	123.55	113.91	171.12	131.51	135.83
Sweden (25)	181.99	+1.9	143.75	142.71	143.73	149.12	+0.0	2.99	178.68	143.47	141.02	143.67	149.12	204.12	146.60	149.01
Switzerland (59)	103.50	+2.4	81.76	81.17	81.75	86.53	+0.4	2.31	101.10	81.18	79.79	81.30	86.18	103.50	82.17	85.03
United Kingdom (234)	186.29	+1.3	147.14	146.06	147.10	147.14	−0.3	5.06	183.89	147.65	145.11	147.83	147.65	187.44	156.27	161.21
USA (524)	170.29	−0.2	134.51	133.54	134.49	170.29	−0.2	2.86	170.69	137.05	134.71	137.24	170.69	170.69	125.95	127.54
Europe (814)	149.23	+1.7	117.87	117.02	117.86	118.50	+0.0	4.06	146.74	117.82	115.81	117.99	118.54	151.52	125.50	130.13
Nordic (102)	187.09	+2.1	147.77	146.70	147.75	146.41	+0.4	2.21	183.24	147.12	144.61	147.33	145.89	200.81	155.55	157.43
Pacific Basin (718)	141.97	+3.4	112.14	111.33	112.12	112.95	+2.8	1.08	137.24	110.19	108.31	110.34	109.87	145.82	117.86	122.85
Euro – Pacific (1532)	145.21	+2.7	114.70	113.86	114.67	115.96	+1.6	2.30	141.36	113.50	111.55	113.65	114.10	147.66	121.29	126.15
North America (639)	168.24	−0.2	132.89	131.94	132.88	166.48	−0.2	2.88	168.57	135.35	133.05	135.55	166.83	168.57	125.91	127.50
Europe Ex. UK (580)	126.95	+2.0	100.27	99.56	100.27	102.00	+0.2	3.33	124.47	99.94	98.25	100.10	101.80	129.80	103.58	111.23
Pacific Ex. Japan (244)	151.87	+1.2	120.04	119.18	120.03	135.76	+0.8	3.92	150.11	120.52	118.48	120.70	134.72	153.19	111.40	113.76
World Ex. US (1726)	146.91	+2.6	116.04	115.21	116.02	117.65	+1.6	2.33	143.16	114.94	112.99	115.11	115.82	148.16	122.32	127.04
World Ex. UK (2016)	150.58	+1.6	118.94	118.08	118.93	132.59	+1.0	2.24	148.26	119.04	117.01	119.22	131.24	150.58	120.06	122.80
World Ex. So. Af. (2189)	153.05	+1.5	120.89	120.03	120.88	133.64	+0.9	2.53	150.73	121.02	118.96	121.20	132.47	153.05	122.92	125.87
World Ex. Japan (1776)	161.90	+0.6	127.88	126.97	127.88	147.06	−0.1	3.34	160.97	129.24	127.05	129.44	147.14	161.90	126.89	128.83
The World Index (2250)	153.70	+1.5	121.40	120.52	121.39	134.01	+0.9	2.53	151.37	121.54	119.46	121.71	132.82	153.70	123.28	126.21

Constituent change with effect 7/1/92: Following the agreed merger between Chemical Banking Corp. (USA) and Manufacturers Hanover (USA), the latter will be deleted. Markets closed January 6: Austria, Finland, Italy, Spain and Sweden.

FT LAW REPORTS

Digest of Michaelmas Term cases

SCALLY AND OTHERS v SOUTHERN HEALTH AND SOCIAL SERVICES BOARD AND OTHERS
(FT, October 30)

The plaintiffs, who were medical practitioners employed in the Northern Ireland Health Service, were required to make contributions to a statutory superannuation scheme. To qualify for full pension, it was necessary to complete 40 years' service but they did have the right to purchase "added years" – a right which was only exercisable within a stipulated period. The plaintiffs claimed damages from their employer for failure to bring that right to their notice. Upholding the decision of the Northern Ireland Court of Appeal, the House of Lords stated that it was necessary to imply an obligation on the employer to bring to his employee's notice the entitlement and that such an obligation would be implied when: (1) the terms of the contract of employment had not been *negotiated with the individual* employee but resulted from negotiation with a representative body or were otherwise incorporated by reference; (2) a particular term gave the employee a valuable right contingent on him taking action to avail himself of its benefit; (3) the employee could not, in all the circumstances, reasonably be aware of the term unless drawn to his attention.

PRICE WATERHOUSE v BCCI HOLDINGS (LUXEMBOURG) SA AND OTHERS
(FT, November 1)

Price Waterhouse were appointed members of an investigation committee to investigate problem loans made by companies in the BCCI group. The Serious Fraud Office served notice on Price Waterhouse for the production of specified documents under the Criminal Justice Act 1987 and the Banking Act. In declaring that Price Waterhouse were not precluded by legal professional privilege from complying with the notices, Mr Justice Millett stated that legal professional privilege only attached to documents brought into existence for the purpose of litigation if that was the dominant purpose. However, in the instant case, the dominant *purpose of the investigation* was to determine the extent to which the problem loans were recoverable which was quite independent of the possible need to take recovery proceedings. Moreover, there was an important public interest in the effective regulation of authorised banking institutions and the Bank of England's power under section 39 of the Banking Act 1987 to obtain information override legal professional privilege and banking confidentiality.

THE MARE
(FT, November 5)

Smit Internationale NV, together with its interrelated companies had entered into a policy which included liability for loss or damage to any property in connection with its activities anywhere in the world. STOS was a joint venture in which Smit Tak, a subsidiary of Smit Internationale, owned a 49 per cent interest. STOS had removed the wreck of a vessel on order of the Dubai government and contended that the removal was a liability within the meaning of policy. Mr Justice *Sheen held* that STOS had not been under a legal liability to remove the wreck and, in dismissing an appeal from that decision, the *Court of Appeal stated that the* fact that it was called an umbrella policy and was plainly designed to scoop up liabilities not covered by the underlying hull, war risks, and P&I policies, *did not mean that* it gave STOS protection against all misfortunes not insured elsewhere.

RE BRITISH & COMMONWEALTH HOLDINGS PLC
(FT, November 6)

B&C acquired Atlantic Computers plc for £420m and then put in another £117m. B&C went into administration and Atlantic's statement of affairs showed a deficiency of assets of £279m. The administrators applied for an order for production of documents to them under section 236(2)(c) and (3) of the Insolvency Act 1986 and Mr Registrar Scott ordered S&O, who were Atlantic's auditors, to produce any "books, papers or other records in their possession custody or control" having any connection with the 1987 and 1988 audits of Atlantic, and with the acquisition. Allowing S&O's appeal, for an order to inspect the *administrator's statement filed* in support of the application, the Court of Appeal stated that the order was in very wide terms. If S&O were not allowed to inspect the statement so that they could scrutinise the basis on which the order was made and see whether its width was justified, the court might well be unable fairly to dispose of their application to have it set aside.

PAN ATLANTIC GROUP INC AND OTHERS v HASSNEH INSURANCE CO OF ISRAEL LTD
(FT, November 8)

A reinsurance contract provided that all disputes were to be submitted to arbitrators who were to be "disinterested executive officials of insurance or reinsurance companies". Hassneh appointed an arbitrator who was an executive official of Mercantile and General Insurance Co but he retired from his position thereafter. The plaintiffs contested the validity *of the appointment on* the ground of his retirement. In holding that he was still qualified to act, both the court of first instance and the Court of Appeal *stated that the* qualification requirement related only to date of appointment. Otherwise not only would an arbitrator in a long arbitration *be inhibited from voluntary* retirement lest that should render the arbitration null and void, but he would also be placed in an impossible *position should he*, for example, reach compulsory retirement age under his employers' regulations, or be made redundant against his will.

EVIA LUCK
(FT, November 12)

The International Transport Workers' Federation had boarded the vessel Evia Luck at a Swedish port and had informed the master she would be "blacked" unless the owner entered into ITF employment *contracts with the crew*. The owners agreed to pay the sums demanded and to sign the required documents. The owners claimed declarations that they had *lawfully* avoided all the contracts on the ground of duress, and claimed restitution of payments. At first instance, the ITF succeeded in its *contention that the relevant* system of law was Swedish law as the law of the country where the pressure was exerted and, under which, such pressure was *lawful*. Upholding the Court of Appeal's decision in favour of the shipowners that the proper law was English under which a contract *induced* by duress was voidable, the House of Lords stated that if a person entered into such a contract, he had for most purposes to accept the regime of the proper law of the contract; and if under that regime a particular form of conduct constituted duress, rendering the contract voidable – wherever the conduct occurred – he had to accept the consequences.

MERCURY PUBLICITY LTD v WOLFGANG LOERKE GMBH
(FT, November 13)

Mercury, an English company, claimed monies due under a contract for a commercial agency relationship between it and Loerke, a German company. At first instance, Mercury's action was struck out under Article 5(1) of the Brussels Convention on Jurisdiction and Enforcement of Judgments 1968 on the ground that the exceptional rule in Ivenel v Schwab [1981] ECR 1981 applied, namely that in a *contract of employment in which* one contracting party might be at a disadvantage to the other, the court would look at the whole contract and the place where it was substantially to be performed, so as to ensure that the employee's position was properly protected. Loerke successfully contended for a wider application of the Ivenel rule to extend to a "trade representative". The Court of Appeal stated that Mercury had established a case that (a) the contract had established an independent relationship wholly different from that of employer/employee; (b) the Ivenel principle in Community law was restricted to cases of a personal nature in the master/servant relationship; and (c) in the contract's context and purpose, as well as its execution, the law most closely connected with the performance of the contract was English law.

RE ARROWS LTD
(FT November 15)

The issue concerned the Serious Fraud Office's right to information that the liquidators wanted from an insolvent company's officer under section 236 of the Insolvency Act 1986. The liquidators wanted the court to direct that the examination would not be disclosed to the SFO. The SFO objected. Finding for the liquidators, Mr Justice Hoffmann stated that (1) it seemed wrong that the SFO should in that way be able to circumvent the protection given to the accused by section 2(8) that a statement might not be used in evidence against the examinee except inter alia in a prosecution for knowingly giving false information; and (2) unless the direction was given, the probability was that the examination would produce no useful inf ormation for the liquidators or the SFO. The balance came down clearly in favour of the direction being given and the SFO had nothing to lose.

Aviva Golden